



2005 ANNUAL REPORT

ON THE STATUS OF THE IMPLEMENTATION OF **PROPOSITION 400**

Executive Summary



Freeway Life Cycle Program



Arterial Life Cycle Program



Transit Life Cycle Program

September 2005



Maricopa Association of Governments

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EXECUTIVE SUMMARY

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TABLE OF CONTENTS

INTRODUCTION1

SUMMARY OF FINDINGS AND ISSUES2

IMPLEMENTATION ACTIVITIES..... 5

PROPOSITION 400 AND ASSOCIATED LEGISLATION.....10

CHANGES TO THE REGIONAL TRANSPORTATION PLAN..... 12

ONE-HALF CENT SALES TAX FOR TRANSPORTATION AND OTHER
REGIONAL REVENUES15

FREEWAY/HIGHWAY LIFE CYCLE PROGRAM 20

ARTERIAL STREET LIFE CYCLE PROGRAM 31

TRANSIT LIFE CYCLE PROGRAM..... 36

LIST OF TABLES..... ii

LIST OF FIGURES ii

LIST OF TABLES

TABLE E-1: Regional Transportation Plan Modifications.....	14
TABLE E-2: Maricopa County Transportation Excise Tax Revenue Forecast Distribution: FY 2006-2026	16
TABLE E-3: Sources and Uses of Regional Revenues: FY 2006-2026	19
TABLE E-4: Freeway/Highway Life Cycle Program Sources and Uses of Funds: FY 2006-2026	25
TABLE E-5: Proposition 300 – Regional Freeway Program Status of System Construction	26
TABLE E-6: Proposition 300 – Regional Freeway Program Sources and Uses of Funds	29
TABLE E-7: Arterial Street Life Cycle Program Sources and Uses of Funds: FY 2006-2026	34
TABLE E-8: Transit Life Cycle Program Sources and Uses of Funds: FY 2006-2026	43

LIST OF FIGURES

FIGURE E-1: Freeway/Highway: New Corridors and Widenings.....	21
FIGURE E-2: New Interchanges, HOV Lanes, and HOV Ramp Connections	22
FIGURE E-3: Regional Freeway System – July 2005 Certification	27
FIGURE E-4: New/Improved Arterials.....	32
FIGURE E-5: Bus Rapid Transit (BRT)	37
FIGURE E-6: Super Grid Bus System	38
FIGURE E-7: Light Rail Transit (LRT)/High Capacity Transit.....	41

INTRODUCTION

Arizona Revised Statute (ARS) 28-6354 requires that the Maricopa Association of Governments (MAG) annually issue a report on the status of projects funded through Proposition 400. Proposition 400 was passed by Maricopa County voters on November 2, 2004 and authorizes a 20-year continuation of the half-cent sales tax for transportation projects in Maricopa County. To respond to the requirements of ARS 28-6354, MAG has prepared the 2005 Annual Report on the Status of the Implementation of Proposition 400 and will produce yearly updates consistent with the directives of the legislation.

The annual reporting process will address project construction status, project financing, changes to the MAG Regional Transportation Plan, and criteria used to develop priorities. In addition, background information will be provided on the overall transportation planning, programming and financing process. Legislation also contains the requirement that MAG conduct a public hearing within thirty days after the Annual Report is issued.

The MAG Annual Report will be updated each year on a fiscal year (FY) basis (fiscal year ending June 30th). The reporting period will cover FY 2006 through FY 2026, with a fixed end date of June 30, 2026. All projects for the major transportation modes, as defined in the MAG Regional Transportation Plan (RTP), will be monitored, whether or not they specifically receive half-cent funding. This ensures that a complete picture of progress on the entire RTP is being provided and that trends in all important transportation revenue sources are being tracked.

The half-cent sales tax extension approved through Proposition 400 will go into affect on January 1, 2006. This extension will replace the current half-cent sales tax for transportation that was approved by the voters of Maricopa County in 1985 through Proposition 300 and expires on December 31, 2005. Since funding from the tax extension will not be received until mid-FY 2006, the 2005 Annual Report is focused primarily on background information regarding planned region transportation improvements and ongoing activities to prepare for the new tax.

This Executive Summary provides key information from the 2005 Annual Report, regarding changes to the Regional Transportation Plan, long-range program financing and the status of transportation project development. For more extensive and detailed information, the reader is referred to the full report.

SUMMARY OF FINDINGS AND ISSUES

KEY FINDINGS

- A strong coordination effort is being pursued by the agencies implementing Proposition 400.

The key agencies in the region have formed an ad hoc group, the “RTP Partners”, aimed at coordinating the effort to implement Proposition 400 and the projects in the MAG Regional Transportation Plan. The agencies include: the Maricopa Association of Governments (MAG); the Arizona Department of Transportation (ADOT); the Regional Public Transportation Authority (RPTA); and Valley Metro Rail (Valley Metro Rail).

As part of this undertaking, unified revenue forecasts have been established, as well as consistent approaches to the life cycle transportation programming process. Other key areas of common effort are development of a project information database and performance measurement system.

- The life cycle programming process has been initiated for all transportation modes.

As required by state law, life cycle programming provides a budgeting process to ensure that the estimated cost of improvements does not exceed the total amount of revenues available. Life cycle programming has been initiated by the responsible agencies, i.e., MAG, ADOT, RPTA, and Valley Metro Rail.

At this time, the life cycle programs are preliminary and are undergoing enhancement and refinement. It is expected that they will be fully in place by the time funding from Proposition 400 becomes available in the spring of 2006.

- Preliminary, twenty-year transportation project programs developed through the life cycle process are consistent with the MAG Regional Transportation Plan (RTP) and are in balance with projected revenues.

Preliminary transportation project programs covering freeways/highways, arterial streets and transit, have been developed, respectively, by ADOT, MAG and RPTA/Valley Metro Rail. These programs cover the life cycle period from FY 2006 through FY 2026, contain the projects included in the MAG RTP for each mode, and provide project implementation schedules consistent with the priorities identified in the RTP. The total project costs included in these programs are in balance with the revenues currently forecasted for each modal area, and annual expenditures are consistent with cash flows projected for available funding sources.

- Construction work on the remaining projects in the Proposition 300 – Regional Freeway Program will be completed by mid-2008 and costs for the program are generally in balance with projected future funds available.

The ongoing Proposition 300 - Regional Freeway Program is nearing its final stages. It is anticipated that construction on the final project in this program will be completed by mid-2008. This reflects a schedule change for the completion of the Red Mountain Freeway between Power Road and University Drive to mid-2008 rather than December 2007. The longer construction schedule is due to the need to stop construction activities at 10:00 PM, so that adjacent neighborhoods are not impacted during the late night hours.

Program costs for the completion of the Proposition 300 Program are generally in balance with the projected future funds available, with costs exceeding available funds by about one-half of one percent. It should also be noted that the timing requirements of construction and debt service payments can be met within available revenues based on the ADOT multi-year cash flow management program.

FUTURE ISSUES

- The potential cost of future right-of-way acquisition will require careful monitoring and may warrant periodic program adjustments.

The recent real estate boom is resulting in unprecedented increases in land prices throughout the region. It will be vital to monitor this cost environment and the effect on project costs. Strategic program adjustments may be warranted to minimize the overall, long-term effect on the modal life cycle programs. Given the climate of rapidly increasing land costs, it will be vital to complete engineering studies quickly, so that right-of-way requirements can be defined in detail and property acquired. At the same time, the need for long-term right-of-way protection must be balanced against the immediate need to provide new roadway capacity to meet growth in travel demand.

- Materials prices are facing an environment of global competition and growing limits on supply, which may affect future construction costs and cost/revenue balance.

The rapid growth of emerging economies around the globe, particularly China and India, have created intense competition for resources. As a result, costs for cement, steel and other materials have been on the increase and have impacted construction costs. Petroleum, which is vital as a material and a fuel in the construction industry, is experiencing especially strong worldwide demand, while at the same time facing growing limits on supply. The recent storm damage to petroleum production facilities in the Gulf of Mexico area, as well as the continuing susceptibility of this area to future interruptions, may negatively affect petroleum supplies for the foreseeable future. Careful monitoring of construction

costs will be essential and periodic program adjusts may be warranted, as part of the life cycle programming process.

- The timing of the Federal New Starts Program for light rail transit may have a major effect on the schedule for implementation of route extensions.

Federal funding provides approximately half of the financial resources identified for construction of extensions to the light rail transit network included in the RTP. A large part of this funding is awarded by the US Department of Transportation through the discretionary “New Starts Program”. The timing and amounts of light rail transit new start monies coming to the MAG region will be subject to a highly competitive process at the federal level. The prospects for awards from this program will require careful monitoring, and adjustments to the life cycle program may be warranted to reflect changes in the outlook for these monies.

- A continuing challenge for the modal life cycle programs will be to minimize project “scope creep” and prepare project designs that are in scale with available funding.

As part of the development of the RTP, overall revenue and cost estimates were prepared for planning purposes. These estimates were based on past cost and revenue experience and are subject to uncertainties that can only be resolved once detailed engineering studies are completed and economic conditions are revealed over time. During the development of the RTP, it was noted that periodic adjustments and updating of the RTP would be needed to respond to changing conditions and new information.

One of the key challenges for the implementing agencies will be to respond to changing conditions and new information, while avoiding the expansion of project designs (scope creep) beyond available funding. The life cycle programming process is intended to provide the decision-making structure through which this discipline can be maintained.

IMPLEMENTATION ACTIVITIES

With the passage of Proposition 400 on November 2, 2004, a broad range of activities were initiated to begin the implementation of projects in the MAG Regional Transportation Plan (RTP). The projects in the RTP are being funded by the continuation of the half-cent sales tax for transportation authorized by Proposition 400, as well as state and federal sources. Although the initial revenues from the half-cent sales tax extension will not actually be received until March 2006, work is proceeding to put program management mechanisms in place, to develop highway engineering concepts and plans, and to proceed with transit service planning activities for projects throughout the region.

REGIONAL TRANSPORTATION PLAN (RTP) PARTNERS

Key agencies in the region have formed an ad hoc group, the “RTP Partners”, aimed at coordinating the effort to implement Proposition 400 and the projects in the MAG Regional Transportation Plan. The agencies include: the Maricopa Association of Governments; the Arizona Department of Transportation; the Regional Public Transportation Authority; and Valley Metro Rail. The RTP Partners have already held a number of meetings and anticipate a more frequent meeting schedule, as activity increases with the start of the half-cent sales tax extension in 2006.

In addition to ensuring overall coordination of planning and implementation activities, specific goals of the group are to: prepare uniform revenue forecasts; to establish consistent life cycle programming procedures; to maintain an integrated approach to the long-term development of transportation corridors and services; and to provide clear, concise information to the public and receive their input on issues connected with the implementation of Proposition 400.

Project Information Database – The RTP partners are discussing the best method to provide the public, the media, and elected officials with a way to access current information about the status of each of the projects funded from Proposition 400. Information on the description of the project, schedule, budget, and any current activity related to the project would be noted.

Performance Measures – The RTP partners are discussing the development of appropriate performance measures that can be used to provide information on the overall objectives of implementing Proposition 400, system performance measures that can provide regular updates on how the overall regional transportation system is performing, and project-specific measures that can be used to evaluate how individual projects are performing.

FREEWAY/HIGHWAY PROGRAM

The Arizona Department of Transportation (ADOT) will be the implementing agency for freeway and highway projects in the RTP. These projects are on the State Highway System and are the major freeway and highway projects in the region. ADOT has been pursuing a number of activities to initiate the project development process.

Life Cycle Program - The legislation passed in connection with Proposition 400 requires that the agencies implementing transportation projects maintain a budget process to ensure that the estimated cost of programmed improvements does not exceed the total amount of revenues available for those improvements. ADOT has had this kind of program management system in place since 1992 as part of the previous freeway construction program. The Department has been refining and expanding the Freeway/Highway Life Cycle Program to cover all highway projects in the MAG region and include an integrated database for project management.

In addition, ADOT has prepared a draft preliminary life cycle project program that extends through the life of the sales tax extension. Program costs are in balance with projected revenues over the period, and the program has been structured to reflect a preliminary bonding strategy.

Management/Engineering Consultants - ADOT has contracted with three different engineering consultant firms to assist the Department in managing the implementation of projects in the ADOT Life Cycle Program. These firms will conduct design concept studies and environmental assessments, as well as prepare preliminary project construction plans. In addition, they will assist in the scheduling and monitoring of design and construction projects.

Litter & Landscape Maintenance and Noise Mitigation Program – Two blocks of funding were established in the RTP. The first is \$279 million for litter pick-up and landscape maintenance in the MAG region. The second block is \$75 million for noise mitigation, including the continued application of the quiet pavement program that uses rubberized asphalt to reduce noise generation. Both of these programs are new aspects for the application of regional funding compared to past programs.

A subcommittee of the Transportation Policy Committee was formed to specifically deal with these two programs. Information on the level of funding and service frequency for litter pick-up and landscape maintenance is being developed that will provide the baseline levels of ADOT funding. The TPC subcommittee is expected to make recommendations to the TPC concerning how the Proposition 400 funds should be used to supplement the ADOT baseline funding levels.

Preliminary Engineering - The preparation of design concept reports (DCR's) and environmental assessments (EA's) represents a key first step in the process of developing new corridors or improving existing facilities. A DCR and EA have been completed on I-17 (Loop 101 to Carefree Highway), and are nearing completion on Loop 101 (Princess Drive to Loop 202), and on SR 51 (Loop 101 to Shea Boulevard).

Studies are also underway on Loop 303, the South Mountain Freeway (Loop 202) corridor, and I-10. It is anticipated that additional studies on new corridors and facility improvements will begin in early 2006.

Construction Underway - Construction work on a project to add HOV and general purpose lanes on the Superstition Freeway (US 60) between Gilbert Rd. and Power Rd. will begin in FY 2006. Construction work on widening SR 85 to a four-lane, divided roadway between I-10 and Gila Bend is currently underway. Final design on the Wickenburg Bypass is underway and construction is anticipated to begin in Fall 2006.

Proposition 300 Freeways - The new Freeway/Highway Life Cycle Program will replace the ongoing Proposition 300 - Regional Freeway Program, which is in its final stages. It is anticipated that the last freeway segment in this program will be completed in 2008.

During FY 2005, freeway construction on the Red Mountain Freeway (Loop 202) between Higley Rd. and Power Rd. and at the south half of the system interchange with US 60 was completed and opened to traffic. Also, construction was completed and opened to traffic on the Santan Freeway (Loop 202) between Dobson Rd. and Arizona Ave., as well as between Baseline Rd. and Elliot Rd. The segments between Arizona Ave. and Elliot Rd. are now under construction and scheduled for completion in 2005 (Arizona Ave. to Gilbert Rd.) and 2006 (Gilbert Rd. to Elliot Rd.). In addition, seven grade separation projects on Grand Ave. are open to traffic, with the one at Glendale Ave/59th Ave. expected to be completed in 2006.

This leaves 7.7 miles on the Red Mountain Freeway to be completed and one mile on the Sky Harbor Expressway to be put out for bid and completed. The last section of the Sky Harbor Expressway is currently under study to determine if this section is still needed from a regional perspective, given the other improvements around Sky Harbor International Airport and the planned Collector-Distributor (C-D) system to augment existing capacity of I-10. A recommendation to change or delete the last Sky Harbor segment from the RTP would have to follow the major amendment process as outlined in A.R.S. 28-6353 (E).

ARTERIAL STREET PROGRAM

The Arterial Street Life Cycle Program is maintained by the Maricopa Association of Governments (MAG) and includes the arterial street projects listed in the MAG Regional Transportation Plan. Although MAG is charged with the responsibility of administering the overall program, the actual construction of projects is accomplished by local government agencies. In addition, ADOT is the account holder and payee institution for reimbursements to the local governments. MAG has been taking a number of steps to develop the details of the Arterial Street Life Cycle Program, so that project construction can begin.

Arterial Program Policies and Procedures - Since the maintenance of a life cycle program represents a new area of responsibility for MAG, steps were taken early to develop policies and procedures for the administration of the program. MAG staff

conducted a series of meetings with member agencies to discuss program issues and approaches to monitoring project budgets and expenditures. A set of Arterial Life Cycle Program Policies and Procedures was recommended by the Transportation Policy Committee on June 22, 2005 and was approved by the MAG Regional Council on June 29, 2005.

Life Cycle Program - MAG has prepared a draft preliminary life cycle project program that extends through the life of the sales tax extension. This program responds to the requirement that total project costs do not exceed the total revenues available. The program is in balance with projected revenues over the period and has been structured to reflect a preliminary bonding strategy. Once the new federal funding levels resulting from SAFETEA-LU (the federal transportation reauthorization bill that was signed into law in August 2005) are determined, the final draft of the life cycle program will be further refined.

Project Assessments – A total of 74 project assessments for projects in the Arterial Life Cycle Program have been prepared by implementing local agencies. These assessments, which identify project design concepts and costs, are a key element in the development of agreements for funding of individual projects, as well as the further refinement and monitoring of the Arterial Life Cycle Program.

Project Agreements – Work is continuing on the development of a model project agreement that will provide the contractual arrangement between MAG and the local jurisdictions that are implementing arterial street projects funded by Proposition 400.

TRANSIT PROGRAM

The Transit Life Cycle Program is maintained by the Regional Public Transportation Authority (RPTA) and implements transit projects in the MAG Regional Transportation Plan. The RPTA maintains responsibility for administering half-cent revenues deposited in the Public Transportation Fund for use on transit projects, including light rail transit (LRT) projects. Although RPTA maintains responsibility for the distribution of half-cent funds for light rail projects, the nonprofit corporation of Valley Metro Rail, Inc. was created to oversee the design, construction and operation of the light rail starter segment, as well as future corridor extensions to the system. Both of these agencies have been taking action to establish the tools to effectively administer the major new programs that Proposition 400 has made possible

Life Cycle Program – RPTA and Valley Metro Rail have developed a financial model for the Transit Life Cycle Program. This provides the capability to program service improvements and construction projects through the life of the sales tax extension. A preliminary program has been prepared that responds to the requirement that the cost of transit-related services and improvements does not exceed the total revenues available. Guiding principles for the Transit Life Cycle Program were adopted by the RPTA Board in June 2005.

Bus Service Improvements - RPTA staff has been working closely with local jurisdictions to define service characteristics and implementation procedures for bus service improvements to be initiated over the next five years.

Light Rail Transit (LRT) Projects - A Design Criteria and Standards Study is being initiated to update and refine Valley Metro Rail design criteria, standards, and specifications. In addition an LRT System and Configuration Study to address future corridor issues is under development. The Metrocenter Corridor Study is currently in the draft environmental impact phase (DEIS). Preliminary engineering and the final environmental impact (FEIS) phase will likely occur in 2006-2007.

Work is currently underway on the construction of the Minimum Operating Segment (MOS), which will extend from Spectrum Mall to West Mesa. Construction is scheduled to be completed by December 2008 and service will be initiated on the entire system at that time. Half-cent sales tax money from Proposition 400 will not be utilized to pay for major route construction of the MOS, but is allocated toward certain elements of the support infrastructure.

PROPOSITION 400 AND ASSOCIATED LEGISLATION

On November 2, 2004, Proposition 400 was passed by the voters of Maricopa County by a margin of 58 to 42 percent. This action authorized the continuation of a countywide, half-cent sales tax for regional transportation improvements (*Maricopa County Transportation Excise Tax*) through calendar year 2025. The estimated revenues from the tax will total approximately \$14.3 billion (Year of Expenditure Dollars) for the twenty-year period covering calendar year 2006 through 2025, and represent the major funding source for the MAG Regional Transportation Plan (RTP). Proposition 400 continues the current half-cent sales tax for transportation, which was approved by the voters of Maricopa County in 1985 through the passage of Proposition 300. The current tax expires on December 31, 2005 and will be extended effective January 1, 2006.

In advance of the Proposition 400 election, the Governor of Arizona signed House Bill 2292 on May 14, 2003, which guided the development of the MAG Regional Transportation Plan. This legislation was followed by House Bill 2456, which was signed by the Governor on February 5, 2004 and authorized an election to extend the half-cent sales tax. As specified in the bill language, Proposition 400 asked whether the voters in Maricopa County favored the continuation of the countywide sales tax through 2025, to provide funding for transportation projects as contained in the MAG Regional Transportation Plan.

ARIZONA HOUSE BILL 2292

Arizona House Bill 2292, which was passed during the Spring 2003 session of the Arizona Legislature, recognized MAG's establishment of a Transportation Policy Committee (TPC), which was tasked with the development of the Regional Transportation Plan (RTP). The legislation identified the consultation process to be followed by the TPC in developing the RTP, and established a formal procedure for reviewing the Draft Plan. It also set forth the factors to be considered during the development of the RTP, such as the impact of growth on transportation systems and the use of a performance-based planning approach.

In addition, Arizona House Bill 2292 identified key features required in the final Plan, including a twenty-year planning horizon, allocation of funds between highways and transit, and priorities for expenditures. It established the process for authorizing the election to extend the existing one-half cent county transportation excise tax. The legislation also contains the requirement that MAG issue an Annual Report on the status of projects funded through the half-cent sales tax for transportation.

ARIZONA HOUSE BILL 2456

House Bill 2456, which was passed by the Arizona Legislature in February 2004, authorized the election to extend the half-cent sales tax for transportation. Known as Proposition 400, this issue was placed on the November 2, 2004 ballot by the Maricopa County Board of Supervisors.

In addition to calling the election, House Bill 2456 included a number of requirements regarding the nature of the tax extension and its administration. It addressed the allocation of revenues from the collection of sales tax monies, created three “firewalls” that prohibit the transfer of half-cent funding allocations from one transportation mode to another, and identified a specific RTP amendment process for introducing new transportation projects or modifying the existing Plan.

House Bill 2456 also requires, beginning in 2010 and every fifth year thereafter, that the Auditor General contract with a nationally recognized independent auditor with expertise in evaluating multimodal transportation systems and in regional transportation planning, to conduct a performance audit of the Regional Transportation Plan and all projects scheduled for funding during the next five years. The audit will make recommendations regarding whether further implementation of a project or transportation system is warranted, warranted with modification, or not warranted. In addition, the legislation requires that the agencies implementing the regional freeway, arterial and transit programs adopt a budget process (life cycle program) that ensures that the estimated cost of the program of improvements does not exceed the total amount of revenues available. The MAG Annual Report draws heavily on this life cycle program data and other life-cycle progress documentation.

CHANGES TO THE REGIONAL TRANSPORTATION PLAN

As part of the Proposition 400 election, voters were provided with an information pamphlet describing the key features of the MAG Regional Transportation Plan (RTP). The RTP is a comprehensive, performance based, multi-modal and coordinated regional plan. It addresses specific multi-modal transportation project needs and the scheduling of improvements on freeways and highways, arterial streets and transit. The RTP was developed through a cooperative effort among government, business and public interest groups, and included an aggressive community outreach and public involvement program. It sets forth the region's transportation improvements through fiscal year 2026, and was adopted by the MAG Regional Council on November 25, 2003.

State legislation identifies the MAG Regional Transportation Plan as the key guide for regional transportation investments in Maricopa County. By state law, the revenues from the half-cent sales tax for transportation (*Maricopa County Transportation Excise Tax*) must be used consistent with the Regional Transportation Plan adopted by MAG. As set forth in this legislation, the RTP identifies projects and revenue allocations by transportation mode for: 1) freeways and other routes on the State Highway System, 2) major arterial streets and intersection improvements, and 3) public transportation systems.

PRIORITY CRITERIA

Arizona Revised Statute 28-6354 B. directs MAG to develop criteria to establish the priority of corridors and corridor segments and other transportation projects. These criteria include public and private funding participation; the consideration of social and community impacts; the establishment of a complete transportation system for the region; the construction of projects to serve regional transportation needs; the construction of segments to provide connectivity on the regional system; and other relevant criteria for regional transportation. As part of the regional transportation planning process, MAG has applied these kinds of criteria, both for the development and the implementation of the Regional Transportation Plan (RTP).

In addition, specific criteria were considered as part of the process to schedule the implementation of transportation projects over the 20-year life of the RTP. Also, a set of regional goals and objectives was adopted to guide the overall planning process.

PLAN AND PRIORITY CHANGES

Since the adoption of the MAG Regional Transportation Plan by the Regional Council on November 25, 2003, there have been certain modifications to the RTP. These modifications were accomplished following the procedures specified in Arizona House Bill 2292 (Spring 2003 Session) Section 9.B.3. This legislation requires that the MAG

Transportation Policy Committee consult with the Regional Public Transportation Authority, the State Board of Transportation, the County Board of Supervisors, Indian Communities, and cities and towns in the MAG area, regarding any proposed modifications to the MAG Regional Transportation Plan (RTP), through December 31, 2005. In addition to this process, an air quality conformity analysis was conducted on the modifications, as required by federal law.

The RTP modifications primarily affect the phases in which projects are planned to be implemented. For phasing purposes, the projects in the RTP were grouped into four phases as follows: 1) Phase I: FY 2005 through FY 2010; 2) Phase II: FY 2011 through FY 2015; 3) Phase III: FY 2016 through FY 2020; and 4) Phase IV: FY 2021 through FY 2026. The specific project phase changes covered by the RTP modifications are listed by category in Table E-1.

TABLE E-1
REGIONAL TRANSPORTATION PLAN MODIFICATIONS

<p style="text-align: center;">Light Rail Transit (LRT) (RTP Modifications Approved June 23, 2004)</p> <p>- LRT Minimum Operating Segment (MOS): 19th Ave./Montebello Ave. to Main St./Sycamore; Schedule revised for a single opening of the MOS, with the entire 20-mile line opening in December 2008.</p> <p>- LRT Metrocenter Link: 19th Ave./Montebello Ave. to Metrocenter; Deferred from Phase I to Phase II.</p>	<p style="text-align: center;">Arterial Street Capacity Improvements (continued)</p> <p>- Hawes Rd.: Elliot Rd. to Ray Rd. (Part of Broadway Rd. to Ray Rd. Segment); Advanced from Phase IV to Phase I; Acceleration funding provided by the City of Mesa.</p> <p>- Happy Valley Rd.: Lake Pleasant Pkwy. to Terramar Blvd. (Part of Loop 303 to 67th Ave. Segment); Advanced from Phase IV to Phase I; Acceleration funding provided by the City of Peoria.</p> <p>- McKellips Rd.: - Higley Rd. to Power Rd. (part of Gilbert Rd. to Power Rd. segment); Deferred from Phase 1 to Phase 2; Local funding provided by City of Mesa.</p> <p>- Pecos Rd.: Ellsworth Rd. to Meridian Rd.; Defer from Phase 1 to Phase 2; Local funding provided by City of Mesa.</p> <p>- Power Rd.: Baseline Rd. to Guadalupe Rd (part of Baseline Rd. to Williams Field Rd.); Advanced from Phase 2 to Phase 1; Acceleration funding provided by multi-jurisdictional project partners.</p> <p>- Power Rd.: Guadalupe Rd. to Loop 202/Santan Fwy. (Part of Baseline Rd. to Williams Field Rd. Segment); Advanced from Phase II to Phase I; Acceleration funding provided by the City of Mesa.</p> <p>- Queen Creek Rd.: Arizona Ave. to McQueen Rd. (Part of Arizona Ave. to Power Rd. Segment); Advanced from Phase II to Phase I; Acceleration funding provided by the City of Chandler.</p> <p>- Ray Rd.: Sossaman Rd. to Ellsworth Rd. (Part of Sossaman Rd. to Meridian Rd. Segment); Advanced from Phase IV to Phase I; Acceleration funding provided by the City of Mesa.</p> <p>- Shea Blvd.: Loop 101/Pima Fwy. to Via Linda (Part of Loop 101/Pima Fwy. to State Route 87 Segment); Advanced from Phase IV to Phase I; Acceleration funding provided by the City of Scottsdale.</p> <p>- Southern Ave.: Greenfield Rd. to Recker Rd. (part of Country Club Dr. to Recker Rd. segment); Deferred from Phase 1 to Phase 2; Local funding provided by City of Mesa.</p> <p>- Southern Ave.: Lindsay Rd. to Greenfield Rd. (part of Country Club Dr. to Recker Rd. segment); Deferred from Phase 1 to Phase 2; Local funding provided by City of Mesa.</p> <p>- Southern Ave.: Stapley Dr. to Lindsay Rd. (part of Country Club Dr. to Recker Rd. segment); Deferred from Phase 1 to Phase 2; Local funding provided by City of Mesa.</p> <p>- Val Vista Rd.: Warner Rd. to Pecos Rd.; Advanced from Phase II to Phase I; Acceleration funding provided by the Town of Gilbert.</p>
<p style="text-align: center;">New Interchanges - Freeway/Arterial (RTP Modifications Approved July 27, 2005)</p> <p>- Dixleta Dr./I-17: New Traffic Interchange; Advanced from Phase II to Phase I; Acceleration funding provided by the City of Phoenix.</p>	
<p style="text-align: center;">Arterial Street Intersection Improvements (RTP Modifications Approved July 27, 2005)</p> <p>- Arizona Ave. at Chandler Blvd.: Advanced from Phase II to Phase I; Acceleration funding provided by the City of Chandler.</p> <p>- Arizona Ave. at Elliot Rd.: Advanced from Phase IV to Phase I; Acceleration funding provided by the City of Chandler.</p> <p>- Country Club Dr. at University Dr.: Advanced from Phase III to Phase I. Acceleration funding provided by the City of Chandler.</p> <p>- Gilbert Rd. at University Dr.: Advanced from Phase IV to Phase I; Acceleration funding provided by the City of Mesa.</p> <p>- Ray Rd. at Gilbert Rd.: Advanced from Phase III to Phase I; Acceleration funding provided by the Town of Gilbert.</p> <p>- Ray Rd. at McClintock Dr.: Advanced from Phase II to Phase I; Acceleration funding provided by the City of Chandler.</p>	
<p style="text-align: center;">Arterial Street Capacity Improvements (RTP Modifications Approved July 27, 2005)</p> <p>- Gilbert Rd.: Loop 202/Santan Fwy. to Queen Creek Rd. (Part of Loop 202/Santan Fwy. to Hunt Hwy. Segment); Advanced from Phase IV to Phase I; Acceleration funding provided by the City of Chandler.</p>	

HALF-CENT SALES TAX FOR TRANSPORTATION AND OTHER REGIONAL REVENUES

The half-cent sales tax for transportation approved through Proposition 400 is the major funding source for the MAG Regional Transportation Plan (RTP), providing over half the revenues for the Plan. In addition to the half-cent sales tax, there are a number of other RTP funding sources, which are primarily from state and federal agencies. These revenue sources and the half-cent tax have been termed regional revenues in the RTP. The specific regional revenue sources are:

- Half-cent Sales Tax
- Arizona Department of Transportation (ADOT) Funds
- MAG Area Federal Highway Funds
- MAG Area Federal Transit Funds

It should be noted that revenue projections are expressed in “Year of Expenditure” (YOE) dollars, which reflect the actual number of dollars collected/expended in a given year. Therefore, there is no correction or discounting for inflation. The effect of inflation is accounted for separately through an allowance for inflation that will be applied when comparing project costs and revenues.

HALF-CENT SALES TAX (*Maricopa County Transportation Excise Tax*)

On November 2, 2004, the voters of Maricopa County passed Proposition 400, which authorized the continuation of the existing half-cent sales tax for transportation in the region (*Maricopa County Transportation Excise Tax*). This action provides a 20-year extension of the half-cent sales tax through calendar year 2025 to implement projects and programs identified in the MAG Regional Transportation Plan (RTP). The current half-cent sales tax for transportation was approved by the voters of Maricopa County in 1985 through Proposition 300 and expires on December 31, 2005. The half-cent sales tax extension approved through Proposition 400 will go into affect on January 1, 2006. The revenues collected from the half-cent sales tax extension will be deposited into the Regional Area Road Fund (RARF), and allocated between freeway/highway and arterial street projects; and into the Public Transportation Fund (PTF) for public transit programs and projects. These monies must be applied to projects and programs consistent with the MAG RTP. Projects and programs in the MAG RTP that are not categorized into the freeways/highways, transit, or arterial street modes have not been allocated sales tax funding.

As specified in ARS 42-6105.E, 56.2 percent of all sales tax collections will be distributed to freeways and highways (RARF); 10.5 percent will be distributed to arterial street improvements (RARF); and 33.3 percent of all collections will be distributed to transit (PTF). The use of PTF monies must be separately accounted for based on

allocations to: (1) light rail transit, (2) capital costs for other transit, and (3) operation and maintenance costs for other transit.

Table E-2 displays the distribution of projected revenues to the RARF and the PTF, including the sub-allocation of the RARF to freeway/highway and arterial street uses. As displayed in these tables, total half-cent revenues through FY 2026 are projected to be approximately \$14.3 billion. Of this total, \$8.0 billion will be allocated to freeway/highway projects; \$1.5 billion to arterial street improvements; and \$4.8 billion to transit projects and programs.

TABLE E-2
MARICOPA COUNTY TRANSPORTATION EXCISE TAX
REVENUE FORECAST DISTRIBUTION: FY 2006-2026
 (Year of Expenditure Dollars in Millions)

Fiscal Year	Regional Area Road Fund (RARF)		Public Transportation Fund (PTF) (33.3%)	Total
	Freeways (56.2%)	Arterial Streets (10.5%)		
2006	77.1	14.4	45.7	137.2
2007	198.1	37.0	117.3	352.4
2008	212.1	39.6	125.6	377.3
2009	227.4	42.5	134.7	404.6
2010	243.5	45.5	144.3	433.3
2011	261.3	48.8	154.9	465.0
2012	279.7	52.3	165.7	497.7
2013	299.4	56.0	177.4	532.8
2014	320.7	59.9	190.1	570.7
2015	344.1	64.3	203.9	612.3
2016	368.5	68.8	218.3	655.6
2017	395.0	73.8	234.0	702.8
2018	423.0	79.0	250.6	752.6
2019	454.1	84.8	269.0	807.9
2020	486.2	90.9	288.1	865.2
2021	522.6	97.6	309.6	929.8
2022	561.1	104.8	332.5	998.4
2023	601.4	112.4	356.3	1,070.1
2024	643.9	120.3	381.6	1,145.8
2025	692.7	129.4	410.4	1,232.5
2026	433.0	80.9	256.6	770.5
Totals	8,044.9	1,503.1	4,766.5	14,314.5

Reflects the Proposition 400 half-cent sales tax which begins on January 1, 2006; totals for FY 2006 reflect the lag in actual receipt of revenues by the fund; totals for FY 2026 reflect a 6-month tax collection, since the tax expires on December 31, 2025.

Forecasts are listed by fiscal year (FY) for the period FY 2006 through FY 2026, with fiscal years beginning on July 1st and ending on June 30th. The amounts in FY 2006 include only the receipts from the Proposition 400 half-cent sales tax extension, which begins on January 1, 2006. Receipts from the Proposition 300 tax, which will be received through December 31, 2005, have been committed to ongoing freeway projects and are not included in the FY 2006 figures.

ARIZONA DEPARTMENT OF TRANSPORTATION (ADOT) FUNDS

ADOT funding is expected to generate \$6.9 billion for the construction of freeway and highway projects identified in the RTP on the State Highway System during FY 2006 through FY 2026. ADOT funding sources include the Arizona State Highway User Revenue Fund (HURF) monies allocated to ADOT to support the State Highway System, ADOT Federal Aid Highway Funds, and other miscellaneous sources. Specific funding programs in the MAG area include:

15 Percent Funding - The MAG area receives annual funding from the Arizona Department of Transportation (ADOT) in the form of ADOT 15 Percent Funds, which are allocated from the Highway User Revenue Fund (HURF). These funds are spent for improvements on controlled access routes on the State Highway System.

MAG Share of ADOT Discretionary Funds - A 37 percent share of ADOT Discretionary Funds is targeted to the MAG Region. These funds have been adjusted appropriately to reflect ADOT expenses for operations, maintenance and debt service on outstanding bonds. This includes bond obligations acquired in connection with the Proposition 300 - Regional Freeway Program.

MAG AREA FEDERAL TRANSPORTATION FUNDS

In addition to the half-cent sales tax revenues and ADOT funding, a number of federal transportation funding sources are available for use in implementing projects in the MAG Regional Transportation Plan. It is projected that a total of \$5.2 billion will be available from this source for the construction of projects in the MAG Region between FY 2006 and FY 2026. Specific federal funding programs in the MAG area include:

Federal Transit (5307) Funds - These federal transit formula grants are available to large urban areas to fund bus purchases and other transit development. This funding source is expected to generate \$1.5 billion for transit development between FY 2006 and FY 2026.

Federal Transit (5309) Funds - Transit 5309 funds are available through discretionary grants from the Federal Transit Administration (FTA), and applications are on a competitive basis. They include grants for bus transit development and “new starts” of Light Rail Transit (LRT) and other high capacity systems. Over the planning horizon, it is estimated that \$1.6 billion in 5309 funds for bus and rail transit projects will be made available to the MAG region from the FTA. The total does not include the 5309 funds

for the 20-mile light rail starter segment, which already have been committed to the region.

Federal Highway (MAG STP) Funds - MAG Surface Transportation Funds (STP) are the most flexible federal transportation funds and may be used for highways, transit or streets. Approximately \$831 million will be available from STP funds for projects during the period FY 2006 through FY 2026 and have been dedicated for use on arterial street projects. In addition to this amount, \$34.1 million has been allocated through 2015 to repay the debt related to the completion of the Proposition 300 program.

Federal Highway (MAG CMAQ) Funds - MAG Congestion Mitigation and Air Quality (CMAQ) funds are available for projects that improve air quality in areas that do not meet clean air standards ("non-attainment" areas). Projects may include a wide variety of highway, transit and alternate mode projects that contribute to improved air quality. While they are allocated to the state, Arizona's funds have been dedicated entirely to the MAG area, due to the high congestion levels and major air quality issues in the region. They are projected to generate \$1.3 billion from FY 2006 through FY 2026.

REVENUE SOURCES AND USES SUMMARY

Revenue sources for the MAG RTP between FY 2006 and FY 2026 are shown in Table E-3 and include: the Proposition 400 half-cent sales tax extension (\$14.3 billion); ADOT funds (\$6.9 billion); Federal Transit (5307) funds (\$1.5 billion); Federal Transit (5309) funds (\$1.6 billion); Federal Highway Surface Transportation Program (STP) funds (\$831 million); Federal Highway Congestion Mitigation and Air Quality (CMAQ) funds (\$1.3 billion); bond proceeds (\$4.3 billion); bus farebox revenues (\$526 million); and other income (\$432 million). The total of all these revenue sources is \$31.8 billion. After deducting debt service (\$1.4 billion interest and \$4.3 billion return of principal) and other expenses (\$214 million) for a total of \$5.9 billion, the net funding available is \$25.8 billion. From this amount, an allowance for inflation (\$8.0 billion) is deducted. This yields \$17.8 billion, which represents the amount of funding available for transportation projects and programs expressed in 2005 dollars.

As Table E-3 depicts, regional revenues are allocated among three major transportation modal categories: freeway/highway, arterial street and transit. The transit mode is further divided into bus transit and light rail transit. After deducting debt service and other expenses, the freeway/highway mode receives a total of \$13.9 billion, with the vast majority of funding coming from the Proposition 400 half-cent sales tax extension and ADOT funds. The arterial street mode is allocated \$2.3 billion, derived from the Proposition 400 half-cent sales tax extension and MAG federal funds. Bus transit receives \$5.0 billion, consisting mostly of Proposition 400 half-cent sales tax and Federal Transit (5307) funds. Light rail transit is allocated \$4.2 billion, with funding coming from the Proposition 400 half-cent sales tax, Federal Transit (5309) funds and MAG CMAQ funds. In addition, other modal programs receive \$404 million from MAG CMAQ funds, resulting in a total funding of \$25.8 billion after debt service and other expenses.

In Table E-3, an allowance for inflation is also deducted for each modal program. This results in the amount of funding available for transportation projects and services expressed in 2005 dollars for each of the programs. These amounts are: freeway/highway - \$10.0 billion; arterial streets - \$1.6 billion; bus transit - \$3.0 billion; light rail transit - \$2.9 billion; and other modal programs - \$278 million. As noted previously, these total \$17.8 billion (2005 \$'s).

TABLE E-3
SOURCES AND USES OF REGIONAL REVENUES: FY 2006-2026
 (Year of Expenditure Dollars in Millions; Unless Noted Otherwise)

Sources	Uses					Total
	Highways/ Freeways	Arterial Streets	Bus Transit	Light Rail Transit	Other Modes	
Proposition 400: Half Cent Sales Tax Extension (RARF)	8,044.9	1,503.1	2,707.4	2,059.1		14,314.5
ADOT Funds (Includes HURF and Federal)	6,925.0					6,925.0
Federal Transit (5307 Funds)			1,552.9			1,552.9
Federal Transit (5309 Funds)			270.0	1,316.6		1,586.6
Federal Highway (MAG STP)		831.0				831.0
Federal Highway (MAG CMAQ)	244.4	171.4		459.3	404.3	1,279.4
Bond Proceeds	3,525.0	504.3	305.0			4,334.3
Bus Farebox Revenues			526.3			526.3
Other Income	101.8		12.0	318.0		431.8
Subtotal	18,841.1	3,009.8	5,373.6	4,153.0	404.3	31,781.8
Less Debt Service and Other Expenses	(4,908.3)	(672.5)	(376.4)			(5,957.2)
Subtotal	13,932.8	2,337.3	4,997.2	4,153.0	404.3	25,824.6
Less Inflation Allowance	(3,960.2)	(706.1)	(1,945.5)	(1,254.2)	(126.8)	(7,992.8)
Total (2005 \$'s)	9,972.6	1,631.2	3,051.7	2,898.8	277.5	17,831.8

FREEWAY/HIGHWAY LIFE CYCLE PROGRAM

The Freeway/Highway Life Cycle Program is maintained by the Arizona Department of Transportation (ADOT) and implements freeway and highway projects listed in the MAG Regional Transportation Plan (RTP). The Life Cycle Program covers FY 2006 through FY 2026 and meets the requirements of state legislation calling for a budget process to ensure that the estimated cost of programmed freeway/highway improvements does not exceed the total amount of revenues available for those improvements. The Program started on July 1, 2005, which is the beginning of fiscal year 2006.

The new Freeway/Highway Life Cycle Program will replace the ongoing Proposition 300 - Regional Freeway Program, which is in its final stages. It is anticipated that the last freeway segment in this program will be completed by mid-2008. Investments related to this program have relied heavily on Proposition 300 half-cent revenues. Proposition 300 was originally authorized in 1985 by Maricopa County voters and the tax will end on December 31, 2005. Proposition 400 extends the half-cent tax initiated by Proposition 300 through December 31, 2025. The Proposition 300 - Regional Freeway Program is discussed separately from new Freeway/Highway Life Cycle Program at the end of this chapter.

STATUS OF FREEWAY/HIGHWAY PROJECTS

The Freeway/Highway Life Cycle Program includes both new facilities and improvements to the existing system. Operation and maintenance of the system are also addressed. Projects include new freeway corridors, additional lanes on existing facilities, new interchanges at arterial cross streets, high occupancy vehicle (HOV) ramps at system interchanges, and maintenance and operations programs. All projects in the Freeway/Highway Life Cycle Program are consistent with the MAG Regional Transportation Plan (RTP). Figures E-1 and E-2 depict projects in the Freeway/Highway Life Cycle Program and indicate the phase in which they are programmed for final construction. Work may occur on a given segment in earlier phases leading up to final construction of the project.

New Corridors - The new corridors include Loop 202 (South Mountain Freeway), Loop 303 (Estrella Freeway), SR 801 (I-10 Reliever), and the Williams Gateway Freeway. In addition, right-of-way protection (only) for Loop 303 (south of I-10 Reliever) and State Route 74 (SR 74) are covered. The total costs through FY 2026 for the new corridors in the MAG RTP are estimated at \$3.7 billion (2005 \$'s).

Design Concept Reports (DCR's) and Environmental Assessments (EA's) are currently underway on Loop 303 between I-10 and Grand Avenue (US 60) and the segment between Happy Valley Road and I-17. A DCR and Environment Impact Statement (EIS) are also proceeding on the South Mountain Freeway (Loop 202) corridor. A US

Figure E - 1

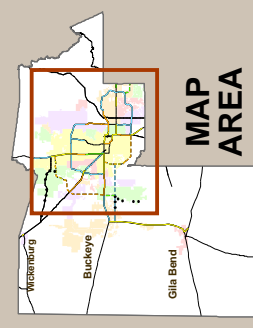


MAG 2005 Annual Report
on Proposition 400

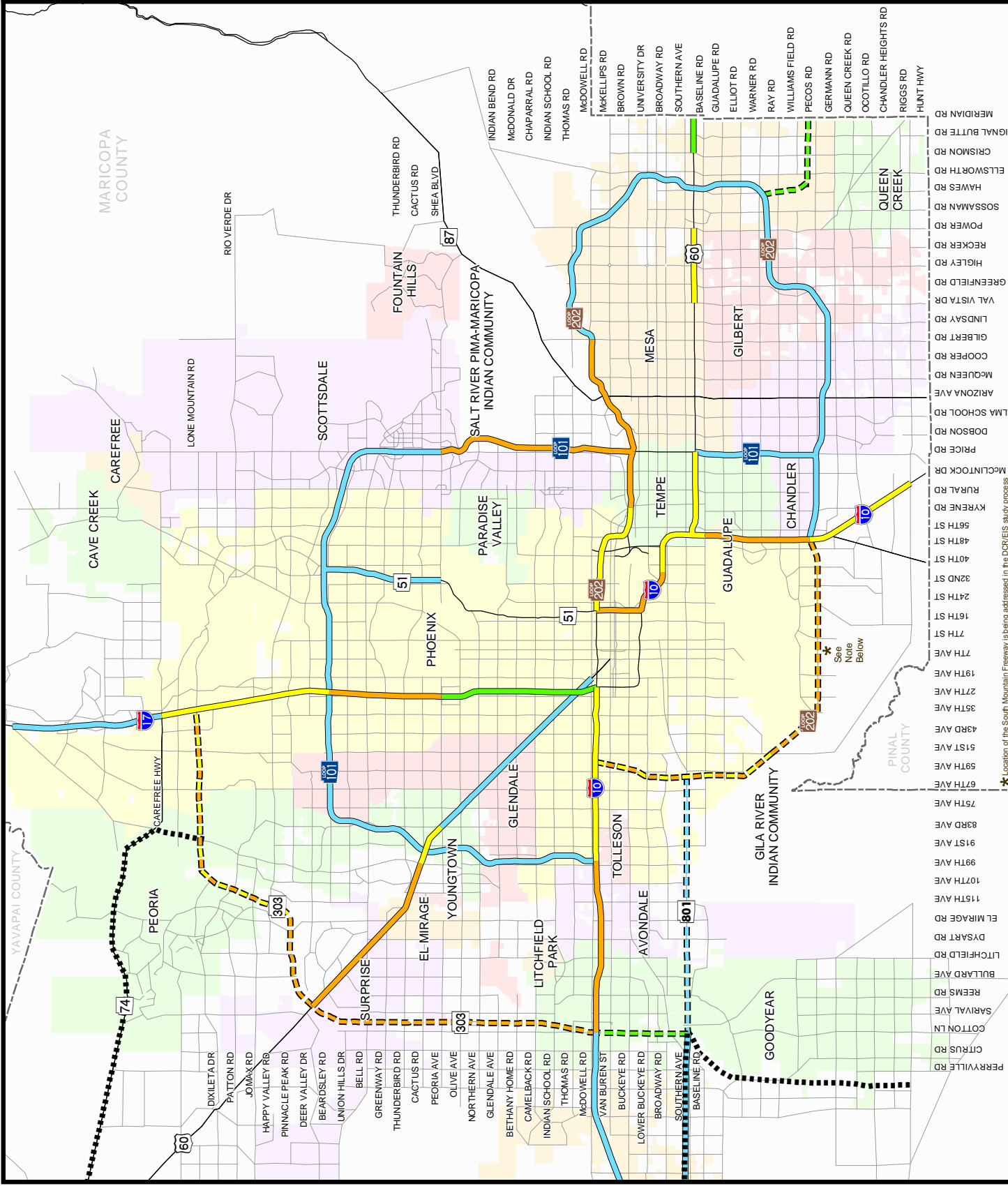
Freeway/Highway: New Corridors and Widenings

- Phase 1 (FY 2005 - FY 2010)
- Phase 2 (FY 2011 - FY 2015)
- Phase 3 (FY 2016 - FY 2020)
- Phase 4 (FY 2021 - FY 2026)
- New Corridors
- Right of Way Preservation Phase 1 - 4
- County Boundary
- Freeways/Highways
- Other Roads

Alignments for new freeway, highway, arterial, and light rail/high capacity transit facilities will be determined following the completion of appropriate design and environmental studies.



While every effort has been made to ensure the accuracy of this information, the Maricopa Association of Governments makes no warranty, expressed or implied, and shall not be held responsible for any liability for the accuracy thereof.



* Location of the South Mountain Freeway (being addressed in the DCR/EIS study process) and three alternative connections with I-10 for the north-south portion of the freeway.

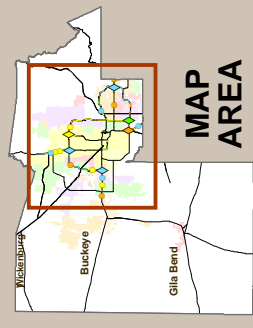
Figure E - 2



MAG 2005 Annual Report
on Proposition 400
New Interchanges,
HOV Lanes, and HOV
Ramp Connections

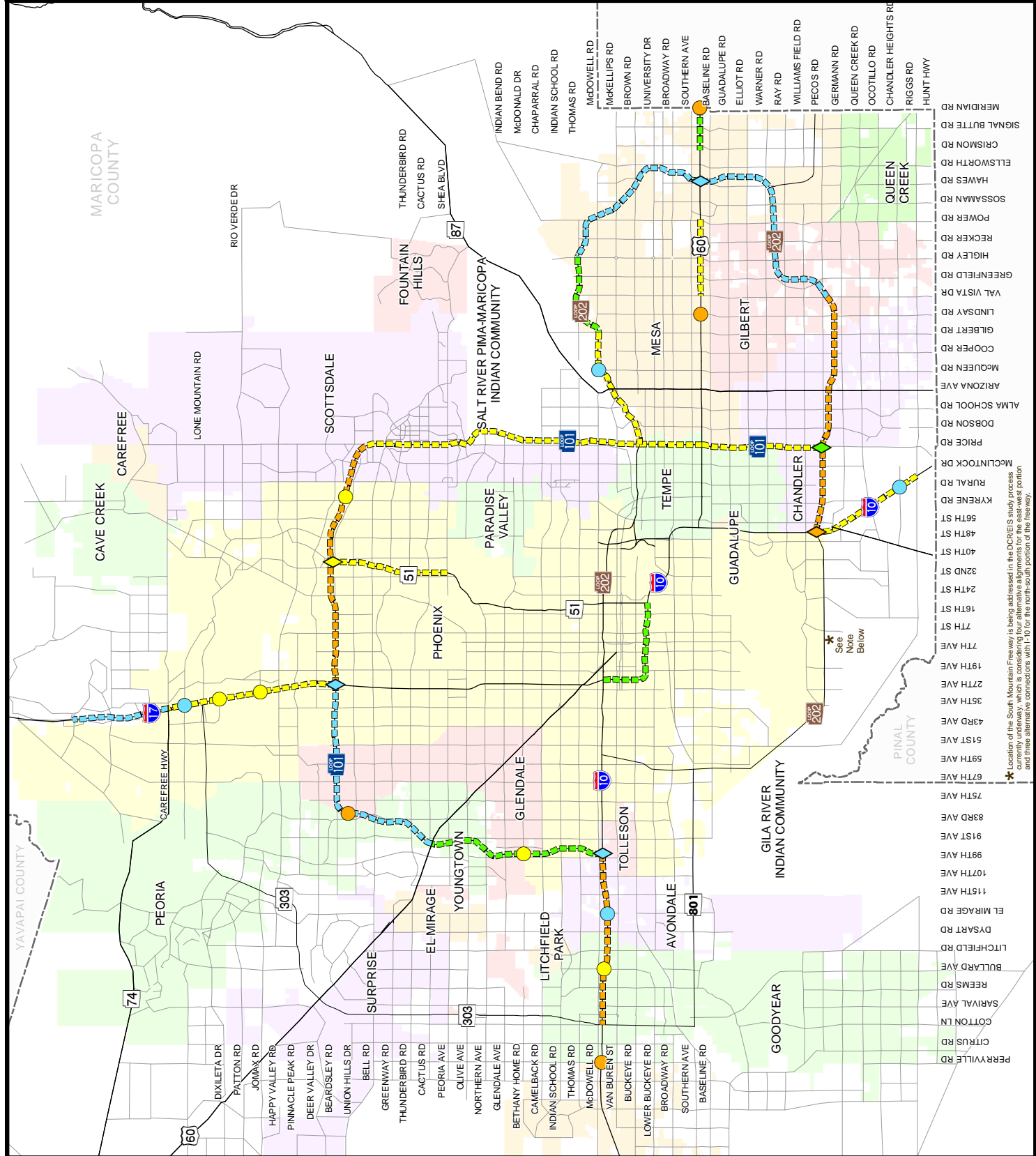
- New Traffic Interchange
- New System HOV Ramp Connections
- HOV Lane Phasing
 - Phase 1 (FY 2005 - FY 2010)
 - Phase 2 (FY 2011 - FY 2015)
 - Phase 3 (FY 2016 - FY 2020)
 - Phase 4 (FY 2021 - FY 2026)
- County Boundary
- Freeways/Highways
- Other Roads

Alignments for new freeway, highway, arterial, and light rail/high capacity transit facilities will be determined following the completion of appropriate design and environmental studies.



MAP
AREA

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Department of Transportation Record-of-Decision on the recommended alternative for this corridor is expected by the end of calendar year 2007.

It is anticipated that DCR's and EA's will begin in FY 2006 on the I-10 Reliever (SR 801) and the Williams Gateway Freeway. Initial design work will begin on Loop 303 between I-17 and Happy Valley Rd. and on Loop 303 between I-10 and US 60.

Widen Existing Facilities: General Purpose Lanes and HOV Lanes - This includes additional lanes on I-10, I-17, Loop 101 (the Agua Fria, Pima and Price Freeways), Loop 202 (the Red Mountain and San Tan freeways), State Route 51 (Piestewa Freeway), State Route 85, and on US 60 (Grand Avenue and Superstition Freeway). The total costs through FY 2026 for these improvements are estimated at \$4.4 billion (2005 \$'s).

A DCR and EA have been completed on I-17 for the segment between Loop 101 and Carefree Highway. A DCR and EA are proceeding on a collector/distributor system on I-10 between State Route 51 and Baseline Road. A DCR and EA covering the addition of HOV lanes on Loop 101 between Princess Drive and Loop 202 is nearing completion, as are a DCR and EA covering the addition of HOV lanes on SR 51 between Loop 101 and Shea Boulevard. Also nearing completion are a DCR and EA for HOV lanes on Loop 101 between Loop 202 (Red Mountain Fwy.) and Loop 202 (Santan Fwy.).

It is anticipated that DCR's and EA's will begin in FY 2006 on I-10 between SR 85 and Loop 101, on US 60 between Loop 303 and Loop 101, and on Loop 202 between SR 51 and Loop 101. Initial design work will also begin in FY 2006 on I-17 between Loop 101 and SR 74, on Loop 303 between I-17 and Happy Valley Rd. and on Loop 303 between I-10 and US 60.

In addition, construction work on a project to add HOV and general purpose lanes on the Superstition Freeway (US 60) between Val Vista Rd. and Power Rd. will begin in FY 2006. Construction work on widening SR 85 to a four-lane, divided roadway between I-10 and Gila Bend is currently underway. Final design on the Wickenburg Bypass is underway and construction is anticipated to begin during the fall of 2006.

New Interchanges and New HOV Ramps on Existing Facilities - This includes a total of thirteen new interchanges to be constructed on existing freeways at arterial street crossings, as well as a total of six locations at freeway-to-freeway interchanges on existing freeways where HOV ramps will be constructed to provide a direct connection through the interchange. The total costs through FY 2026 for these projects are estimated at \$409 million (2005 \$'s).

A DCR and EA are nearing completion for HOV ramps at the system interchange at SR 51 and Loop 101. This work was included as part of the studies on the addition of HOV lanes on SR 51 between Loop 101 and Shea Boulevard.

Preliminary engineering and environmental analysis for new freeway/arterial interchanges programmed for construction during the next five years has been completed.

Maintenance, Operations, Mitigation and Systemwide Programs - This includes litter pickup, landscaping, freeway system management (FMS), and noise mitigation. The total costs through FY 2026 for these project categories are estimated at \$533 million (2005 \$'s). A subcommittee of the MAG Transportation Policy Committee has been working with ADOT to establish priorities for the freeway maintenance and litter pick-up programs. In addition, a program to complete installation of rubberized asphalt overlays throughout the existing freeway system has been developed. The last projects in this program will be completed in FY 2008. Rubberized asphalt will also be placed on all new freeways constructed as part of the Life Cycle Program. Also, expenditures for the overall highway development process, which total \$496 million (2005 \$'s) through FY 2006, are in this category bringing the total to approximately \$1.0 billion (2005 \$'s).

FREEWAY/HIGHWAY FUNDING AND FISCAL STATUS

Table E-4 summarizes the funding sources and uses that apply to the Freeway/Highway Life Cycle Program between FY 2006 and FY 2026. Sources for the Life Cycle Program include the Proposition 400 half-cent sales tax extension (\$8.0 billion); ADOT funds (\$6.9 billion); Federal Highway MAG Congestion Mitigation and Air Quality (CMAQ) funds (\$244 million); bond proceeds (\$3.5 billion); and other income (\$102 million). Expenses totaling \$4.9 billion are deducted from these sources, which includes an RTP implementation allowance required in legislation that is provided to MAG and RPTA (\$214 million) and estimated future debt service and repayment of other financing (\$1.2 billion interest and \$3.5 billion return of principal). In addition an allowance for inflation (\$4.0 billion) is deducted. This yields a net total of nearly \$10.0 billion (2005 \$'s) for use on freeway and highway projects through FY 2026.

Table E-4 also lists the estimated future uses of funds in the Life Cycle Program for the period FY 2006 through FY 2026. As shown, Life Cycle Program costs are in balance with the projected future funds available, with available funds exceeding costs by approximately four percent. As the engineering process proceeds, project costs will be subject to revision, and adjustments in the Life Cycle Program may be required to ensure that project costs do not exceed expected revenues.

As noted previously, the new Freeway/Highway Life Cycle Program will replace the ongoing Proposition 300 - Regional Freeway Program, which is in its final stages. Debt service requirements and other financial obligations for the Proposition 300 - Regional Freeway Program continue through FY 2026. These obligations have been taken fully into account in the planning process for the new Freeway/Highway Life Cycle Program, so that there are no conflicting demands on available revenues between FY 2006-2026. The status of the Proposition 300 - Regional Freeway Program is discussed in the following section.

It should also be noted that Freeway/Highway Life Cycle Program expenditures will be a key element of future Annual Reports. However, since the program is in its very initial stages as of this report, there is no significant expenditure data to report.

TABLE E-4
FREEWAY/HIGHWAY LIFE CYCLE PROGRAM
SOURCES AND USES OF FUNDS: FY 2006-2026
(2005 and Year of Expenditure Dollars in Millions)

Sources of Funds	
Source	Projected Available Funding FY 2006-2026 (YOE Dollars)
Proposition 400: One-Half Cent Sales Tax Extension	8,044.9
ADOT Funds	6,925.0
Federal Highway / MAG CMAQ	244.4
Bond Proceeds	3,525.0
Other Income	101.8
Less Debt Service and Other Expenses	(4,908.3)
Less Inflation Allowance	(3,960.2)
Total (2005 \$'s)	9,972.6
Uses of Funds	
Category	Estimated Future Costs: FY 2006-2026 (2005 Dollars)
New Corridors	3,714.0
Widen Existing Facilities: Add General Purpose Lanes	3,536.0
Widen Existing Facilities: Add HOV Lanes	866.6
New Interchanges on Existing Facilities: Freeway/Arterial	197.2
New HOV Ramps on Existing Facilities: Freeway/Freeway	212.4
Maintenance, Operations, Mitigation and Systemwide Programs	1,028.6
Other Projects	37.5
Total	9,592.3

PROPOSITION 300 - REGIONAL FREEWAY PROGRAM

Proposition 300 was passed by the voters of Maricopa County on October 8, 1985, establishing a half-cent sales tax for transportation, effective from January 1, 1986 to December 31, 2005. The revenues from this tax, along with state and federal funding, have been used by ADOT to implement controlled-access projects in the MAG area. This program is scheduled for completion by the mid-2008.

Status of Projects - Figure E-3 provides the completion schedule for projects included in the Proposition 300 - Regional Freeway Program. Table E-5 displays the status of the freeway segments covered in the Program. The Program covers a total of 159.0 centerline miles of facilities. Excluding the unfunded portion of the South Mountain Freeway, the mileage totals 137.9 miles. This includes the Agua Fria, Pima and Price Freeways (Loop 101); the Santan and Red Mountain Freeways (Loop 202); the Piestewa Freeway (State Route 51); the Hohokam Expressway (State Route 143); the Sky Harbor Expressway (State Route 153); the construction of the South Mountain connection at I-10, and improvements to Grand Avenue (US 60).

Although the South Mountain connection for Loop 202 at the Santan Freeway was constructed as part of the Proposition 300 Freeway Life Cycle Program, the remaining 21.1-mile segment of the South Mountain Freeway corridor was left unfunded due to a fiscal shortfall in the program. Also, work on the Estrella Freeway (Loop 303) was left unfunded as part of the Proposition 300 Program. Engineering and environmental studies on the South Mountain Freeway and Loop 303 are currently underway and funding for completion of these facilities is included in the Proposition 400 Freeway/Highway Life Cycle Program.

TABLE E-5
PROPOSITION 300 - REGIONAL FREEWAY PROGRAM
STATUS OF SYSTEM CONSTRUCTION

Proposition 300 Regional Freeway System Construction (Centerline Miles)					
Corridor	Opened	Under Construction	Planned		Total
			Life Cycle Program	Unfunded	
Agua Fria	22.0	0.0	0.0	0.0	22.0
Grand Avenue ¹	3.3	1.2	0.0	0.0	4.5
Hohokam	3.1	0.0	0.0	0.0	3.1
Pima	28.2	0.0	0.0	0.0	28.2
Price	9.9	0.0	0.0	0.0	9.9
Red Mountain	23.5	0.5	6.9	0.0	30.9
Santan	10.2	14.6	0.0	0.0	24.8
Sky Harbor	2.4	0.0	0.9	0.0	3.3
South Mountain Connection	1.0	0.0	0.0	21.1	22.1
State Route 51	10.2	0.0	0.0	0.0	10.2
Total	113.8	16.3	7.8	21.1	159.0

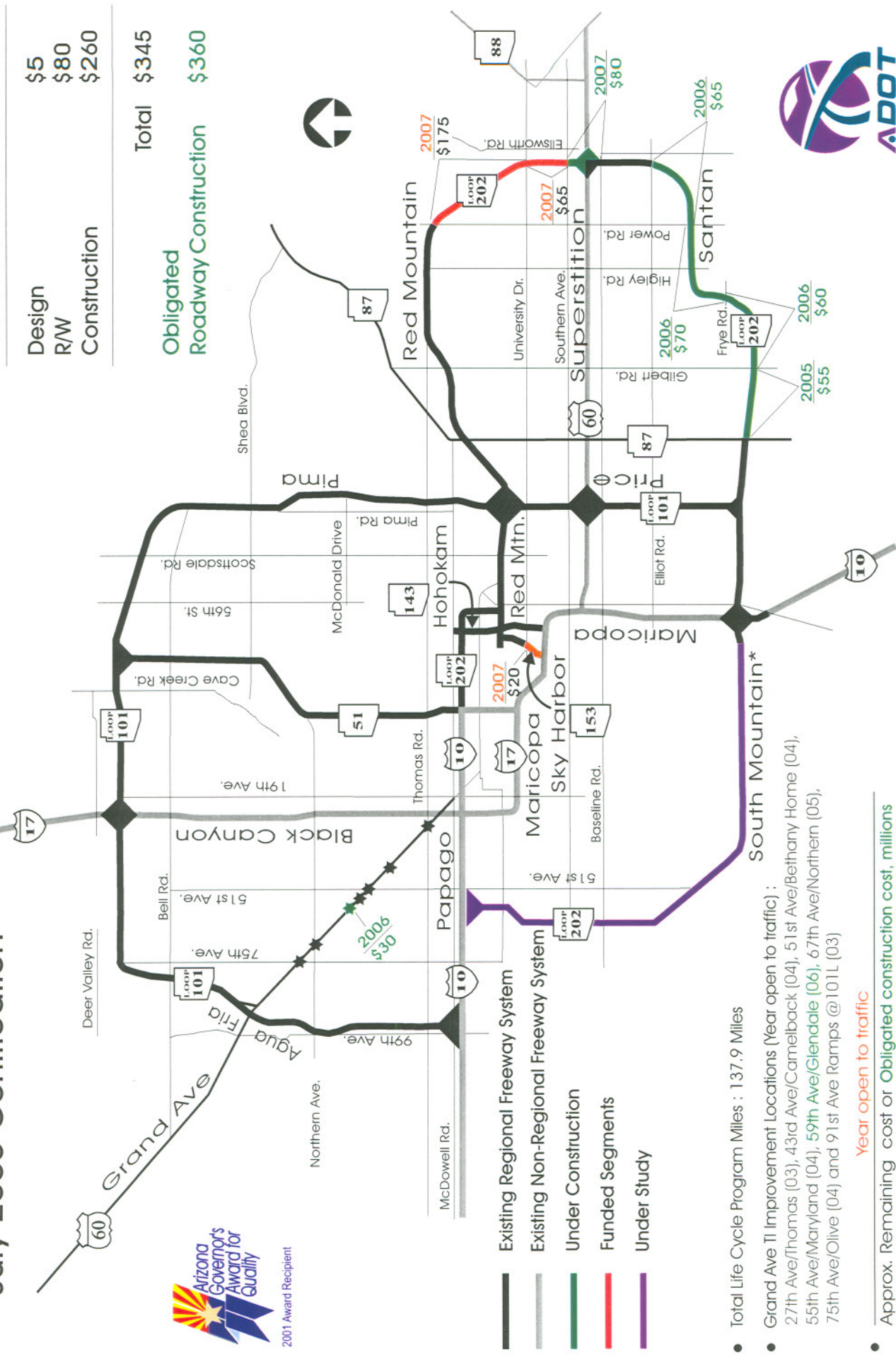
¹ Represents 8 grade separated intersections included in the Program.

During FY 2005, freeway construction on the Red Mountain Freeway (Loop 202) between Higley Rd. and Power Rd. and at the south half of the system interchange with US 60 was completed and opened to traffic. Also, construction was completed and

Regional Freeway System

July 2005 Certification

FIGURE E-3



• Total Life Cycle Program Miles : 137.9 Miles

• Grand Ave TI Improvement Locations (Year open to traffic) :
27th Ave/Thomas (03), 43rd Ave/Camelback (04), 51st Ave/Bethany Home (04),
55th Ave/Maryland (04), 59th Ave/Glendale (06), 67th Ave/Northern (05),
75th Ave/Olive (04) and 91st Ave Ramps @ 101L (03)

• **Year open to traffic**

• Approx. Remaining cost or **Obligated construction cost, millions**

• * Corridor under Environmental Impact Statement / Design Concept Report

Note : This map does not include Proposition 400 projects.

opened to traffic on the Santan Freeway (Loop 202) between Dobson Rd. and Arizona Ave., as well as between Baseline Rd. and Elliot Rd. The segments between Arizona Ave. and Elliot Road are now under construction and scheduled for completion in 2005 (Arizona Ave. to Gilbert Rd.) and 2006 (Gilbert Rd. to Elliot Rd.). In addition, all eight grade separation projects on Grand Ave. are open to traffic, except at Glendale Ave/59th Ave., which is anticipated to be open in 2006.

This leaves 7.7 miles on the Red Mountain Freeway to be completed and one mile on the Sky Harbor Expressway to be put out for bid and completed. The last section of the Sky Harbor Expressway is currently under study to determine if this section is still needed from a regional perspective given the other improvements around Sky Harbor International Airport and the planned I-10 Collector-Distributor (C-D) system to augment the capacity of I-10. A recommendation to change or delete the last Sky Harbor segment would be required to meet the requirements of a Major Amendment to the RTP as outlined in A.R.S. 28-6353 (E).

Although sales tax collections for Proposition 300 will officially end on December 31, 2005, work utilizing state and federal funding sources will continue through mid-2008 to complete the last segments of the Program.

Material Changes - Arizona Revised Statute 28-6353 requires that MAG approve any change in priorities, new projects or other requests that materially increase the cost of a project. A cost increase for construction of the Red Mountain Freeway between Power Road and University Drive of \$17.6 million was approved by MAG in June 2005. The revised construction cost estimate for this segment now totals \$144.1 million. The cost changes were the result of factors such as additional traffic control during construction, runoff handling enhancements, new CAP canal access requirements, additional noise mitigation, and material quantity and cost increases. The cash balances for the Regional Freeway Program are adequate to accommodate the required changes.

Another material change to the Proposition 300 Program involves a schedule change for the construction of the Red Mountain Freeway between Power Road and University Drive. In September 2005, the MAG Regional Council approved a revised schedule that will result in the completion of this section in mid-2008 rather than December 2007. The longer construction schedule is due to the need to stop construction activities at 10:00 PM, so that adjacent neighborhoods are not impacted during the late night hours. It is not anticipated that the schedule change will result in any cost increases.

Funding and Fiscal Status - As indicated previously, it is anticipated that construction work on the Proposition 300 - Regional Freeway Program will be completed by mid-2008. However, debt service and other financial obligations will continue through FY 2026. Table E-6 summarizes the funding sources and uses that apply to the remaining Program from FY 2005 forward. Sources for the Program include the Proposition 300 half-cent sales tax (RARF) (\$212 million); ADOT funds (\$1.0 billion); Federal Highway MAG Surface Transportation Program funds (\$375 million); and bond proceeds (\$146 million). Expenses totaling \$1.4 billion are deducted from these sources, which consists primarily of debt service and repayment of other financing. In addition an allowance for

inflation (\$9 million) is deducted. This yields a net total of \$639 million (2005 \$'s) for use on freeway construction projects.

Table E-6 also lists estimated future costs to complete the remaining construction work in the Program through mid- 2008, amounting to \$643 million (2005 \$'s). This amount also includes outstanding past project obligations. As shown, Program costs are in balance with the projected future funds available, with costs exceeding available funds by about one-half of one percent. It should also be noted that the timing requirements of construction and debt service payments can be met within available revenues based on the ADOT multi-year cash flow management program.

TABLE E-6
PROPOSITION 300 - REGIONAL FREEWAY PROGRAM
SOURCES AND USES OF FUNDS
(2005 and Year of Expenditure Dollars in Millions)

Sources of Funds	
Source	Projected Available Funding (YOE Dollars)
Cash Balance - Beginning of FY 2006	258.9
Proposition 300: One-Half Cent Sales Tax	212.3
ADOT Funds	1,021.0
Federal Highway/MAG STP	375.1
Bond Proceeds	145.5
Other Income	27.6
Less Debt Service and Other Expenses	(1,392.6)
Less Inflation Allowance	(8.7)
Total (2005 \$'s)	639.1
Uses of Funds	
Corridor	Estimated Future Costs (2005 Dollars)
Agua Fria Freeway	3.8
Grand Avenue	2.8
Pima Freeway	10.1
Price Freeway	0.1
Red Mountain Freeway	256.0
Santan Freeway	48.6
Sky Harbor Expressway	20.1
Systemwide	1.2
Past Project Obligations Outstanding	300.0
Total	642.7

FREEWAY/HIGHWAY PROGRAM OUTLOOK

The new Freeway/Highway Life Cycle Program, which covers FY 2006 through FY 2026, will start on July 1, 2005, which is the beginning of fiscal year 2006. The goal of this program is to implement the freeway and highway projects in the MAG Regional Transportation Plan by the end of FY 2026. The initial FY 2006-2026 Life Cycle Program costs are in balance with the projected future funds available. A continuing requirement of the life cycle process will be to maintain this balance, through effective financing and cash flow management, value engineering of projects, and Plan and Program adjustments as may be necessary.

Early tasks in the process of implementing the new Freeway/Highway Life Cycle Program will be to: (1) refine project concepts and cost estimates, (2) define right-of-way needs in new corridors for early right-of-way protection, and (3) identify financing strategies. ADOT is preparing a long-range project development schedule covering the full twenty years of the Life Cycle Program, and will be proceeding with preliminary engineering and environmental studies to establish project design concepts and right-of-way needs.

An immediate task will be to evaluate the recent cost increases related to materials and to better understand the impact of the highway program on construction industry capacity, especially during the first five years. A continuing challenge during the life of the program will be to minimize project “scope creep” and prepare project designs that are in scale with available funding.

In addition to the new Life Cycle Program, the ongoing Proposition 300 - Regional Freeway Program is nearing its final stages. It is anticipated that construction work on the remaining projects in this program can be completed mid-2008. Costs for the program are in balance with projected future funds available. Funding requirements for final construction by mid-2008, as well as debt service and other financial obligations will that continue through FY 2026, have been fully taken into account in the planning process for the new Freeway/Highway Life Cycle Program, so that there are no conflicting demands on available revenues between FY 2006-2026.

ARTERIAL STREET LIFE CYCLE PROGRAM

The Arterial Street Life Cycle Program is maintained by the Maricopa Association of Governments (MAG) and implements arterial street projects in the MAG Regional Transportation Plan (RTP) that are funded from regional revenue sources. The Program meets the requirements of state legislation calling on MAG to conduct a budget process to ensure that the estimated cost of programmed arterial street improvements does not exceed the total amount of revenues available for these improvements. The Program started on July 1, 2005, which is the beginning of fiscal year 2006.

The Arterial Street Life Cycle Program covers FY 2006 through FY 2026 and provides MAG with a management tool to administer regional funding for arterial street improvements. The Program will receive major funding from both the Proposition 400 half-cent sales tax extension and federal highway programs. The half-cent sales tax extension starts on January 1, 2006 and revenues from the tax will be available beginning in March 2006. Although MAG is charged with the responsibility of administering the overall program, the actual construction of projects is accomplished by local government agencies that provide funding to match regional level revenues.

STATUS OF ARTERIAL STREET PROJECTS

The Arterial Street Life Cycle Program provides regional funding for widening existing streets, improving intersections, and constructing new arterial segments. The implementation of projects in the regional Intelligent Transportation System (ITS) Plan is also included. In Figure E-4, projects in the Arterial Street Life Cycle Program are mapped to indicate the phase in which they are programmed for final construction. Work may occur on a given segment in earlier phases leading up to final construction of the project. Figure E-4 also reflects project advancements and deferrals, as approved through the Plan amendment process.

Arterial Capacity Improvements - A total of 63 projects that have been allocated \$1.4 billion (2005 \$'s) in cost reimbursements are covered in this category. The projects vary in nature, including widening of existing arterial streets, such as the series of improvements called for in the East Valley; major upgrading of facilities, such as the development of a parkway along Northern Avenue in the West Valley; and construction of new facilities on new alignments, such as the Rio Salado Parkway in southwest Phoenix.

During the next five years (FY 2006 through FY 2010), work will be proceeding on capacity improvement projects on a number of arterial streets. Various stages of work will be conducted on these projects, including design, right-of-way and construction. It is projected that reimbursements from regional funds for these projects will total approximately \$220 million, including \$23 million for design, \$85 million for right-of-way, and \$112 million for construction.

Figure E - 4

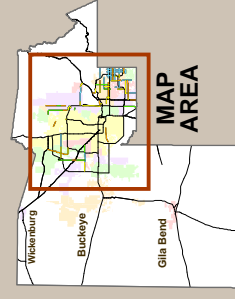


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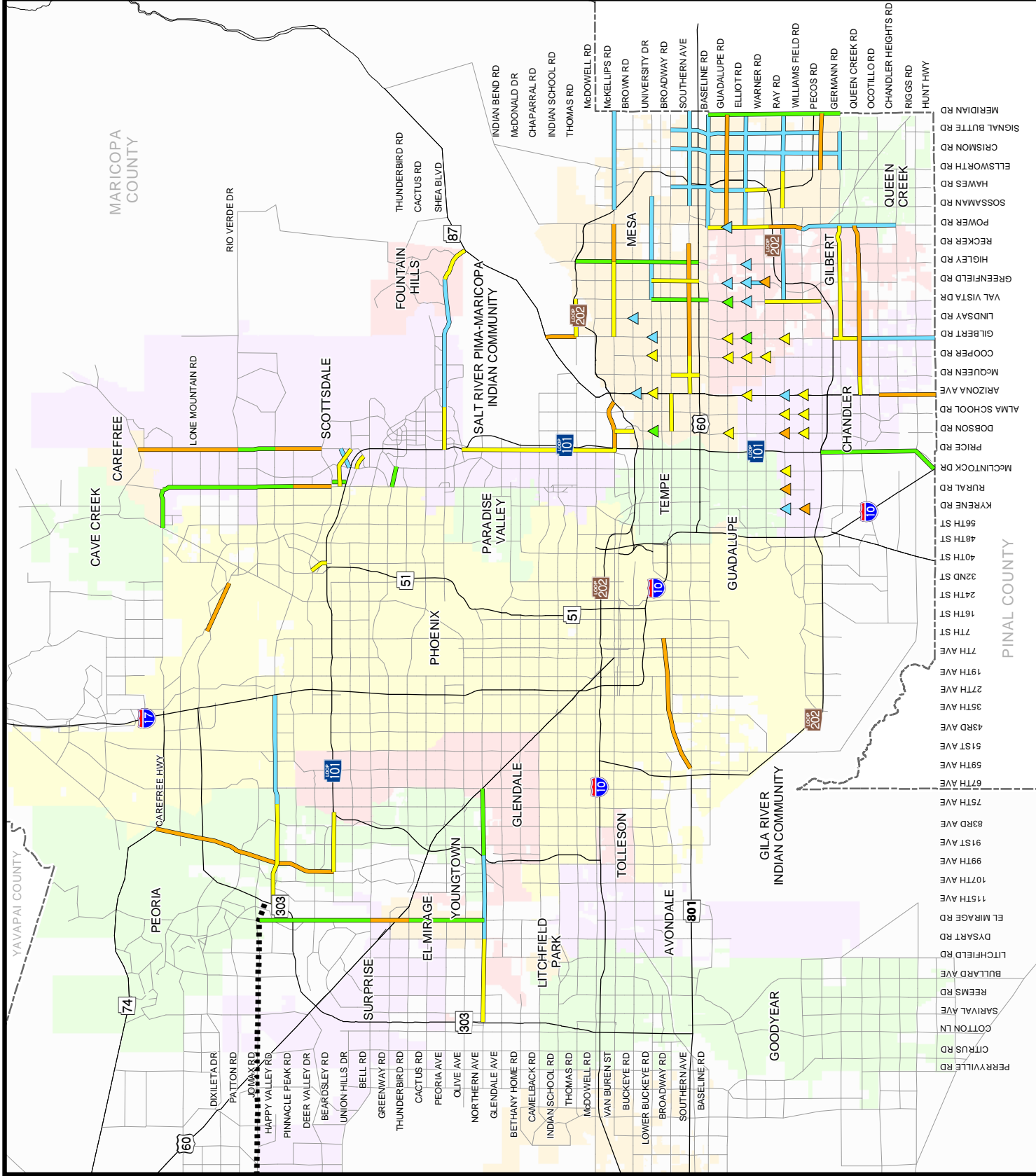
New/Improved
Arterials

- Improved Intersections
- Phase 1 (FY 2005 - FY 2010)
- Phase 2 (FY 2011 - FY 2015)
- Phase 3 (FY 2016 - FY 2020)
- Phase 4 (FY 2021 - FY 2026)
- Right of Way Preservation
- County Boundary
- Freeways/Highways
- Other Roads

Alignments for new freeway, highway, arterial, and light rail/high capacity transit facilities will be determined following the completion of appropriate design and environmental studies.



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In addition to these reimbursements, local governments are proceeding with advance work on capacity improvements during FY 2006 through FY 2010 on a number of projects that were programmed later in the RTP but are being advanced by the local jurisdictions. In these cases, the implementing agencies will be reimbursed later, according to the original arterial street program schedule identified in the Regional Transportation Plan adopted in November 2003.

Intersection Improvements - A total of 32 projects that have been allocated \$123 million (2005 \$'s) in cost reimbursements are covered in this category. These projects are aimed at increasing the level of service at the intersections being improved, compared to what it would have been without the improvement.

During the next five years (FY 2006 through FY 2010), work will be proceeding on intersection improvement projects on a number of arterial streets. It is projected that reimbursements from regional funds for these projects will total approximately \$31 million, including \$2 million for design, \$8 million for right-of-way, and \$21 million for construction.

Similar to arterial capacity improvements, local governments are proceeding with advance work on intersection improvements during FY 2006 through FY 2010 at certain locations that were programmed later in the RTP but are being advanced by the local jurisdictions.

Intelligent Transportation Systems (ITS)

The focus of the arterial ITS program is to assist MAG member agencies to develop their arterial traffic management systems to better deal with increasing congestion. It is estimated that a total of \$16 million in reimbursements from regional funds will be made for ITS projects during FY 2006 through FY 2010. A total of \$54 million (2005 \$'s) has been allocated to ITS through FY 2006. The process for identifying and recommending arterial ITS projects for funding will continue to be overseen by the MAG ITS Committee, using an objective project rating system that is linked to the region's ITS Strategic Plan.

ARTERIAL STREET FUNDING AND FISCAL STATUS

The Arterial Street Program is based on the principle of project budget caps. Under this approach, the regional funding allocated to a specific project is fixed (on an inflation adjusted basis) in the Regional Transportation Plan. This amount must be matched by the implementing agency with, at a minimum, a 30 percent contribution to the project costs. Any project costs above this amount are the responsibility of the implementing agency. Under this funding scheme, program administration will focus on tracking actual project expenditures and determining the corresponding regional share.

Table E-7 summarizes the funding sources and uses that apply to the Arterial Street Life Cycle Program for FY 2006 through FY 2026. Sources for the Life Cycle Program include the Proposition 400 half-cent sales tax extension (\$1.5 billion); Federal

Highway/MAG Congestion Mitigation and Air Quality (CMAQ) funds (\$171 million); Federal Highway/MAG Surface Transportation Program (STP) funds (\$831 million); and bond proceeds (\$504 million). Expenses totaling \$673 million are deducted from these sources, representing estimated future debt service and repayment of other financing (\$169 million interest and \$504 million return of principal). In addition an allowance for inflation of \$706 million has been deducted. This yields a net total of \$1.6 billion (2005 \$'s) for use on arterial street projects through FY 2026.

Table E-7 also lists the estimated future regional funding disbursements identified in the Life Cycle Program for the period FY 2006 through FY 2026. As shown, Life Cycle Program disbursements are in balance with the projected future funds available, with funding in excess of disbursements by about three percent. Since Arterial Street Program projects have fixed regional reimbursement budgets, it is anticipated that this balance can be maintained on a continuing basis.

TABLE E-7
ARTERIAL STREET LIFE CYCLE PROGRAM
SOURCES AND USES OF FUNDS: FY 2006-2026
(2005 and Year of Expenditure Dollars in Millions)

Sources of Funds	
Source	Projected Available Funding FY 2006-2026 (YOE Dollars)
Proposition 400: One-Half Cent Sales Tax Extension	1,503.0
Federal Highway / MAG CMAQ	171.4
Federal Highway / MAG STP	831.1
Bond Proceeds	504.3
Other Income	-
Less Debt Service	(672.5)
Less Inflation Allowance	(706.1)
Total (2005 \$'s)	1,631.2
Uses of Funds	
Category	Estimated Future Disbursements: FY 2006-2026 (2005 Dollars)
Capacity Improvements	1,406.8
Intersection Improvements	122.6
Intelligent Transportation Systems	54.1
Total	1,583.5

It should be noted that Arterial Street Life Cycle Program expenditures will be a key element of future Annual Reports. However, since the program is in its very initial stages as of this report, there is no significant expenditure data to report.

ARTERIAL STREET PROGRAM OUTLOOK

The Arterial Street Program is based on the principle of project budget caps, with a fixed amount of regional funding allocated to individual projects (on an inflation adjusted basis). The total estimated future regional revenue disbursements for these projects are in balance with projected revenues, and it is anticipated that this balance can be maintained in the future.

On June 29, 2005, MAG adopted a set of Arterial Life Cycle Program Policies and Procedures to help guide the administration of the Arterial Street Program. These Policies and Procedures address a range of issues, including:

- Lead Implementing Agencies
- Project Budgets
- Eligible Costs for Reimbursement
- Invoicing for Reimbursement of Project Costs
- Eligible Prior Right-of-Way Acquisition and/or Work for Reimbursement
- Reallocation of Surplus Project Funds
- Project Agreements

Under the guidance of the Policies and Procedures adopted by MAG, major initial tasks in implementing the new Arterial Street Life Cycle Program will be to: (1) define project reimbursement procedures and documentation requirements, (2) develop project agreements with lead implementing agencies, and (3) refine project and program monitoring software. The adoption of the Arterial Street Life Cycle Program by MAG is anticipated before the end of 2005.

TRANSIT LIFE CYCLE PROGRAM

The Transit Life Cycle Program is maintained by the Regional Public Transportation Authority (RPTA) and implements transit projects in the MAG Regional Transportation Plan (RTP). The Program meets the requirements of state legislation calling on the RPTA to conduct a budget process that ensures the estimated cost of the Regional Public Transportation System does not exceed the total amount of revenues expected to be available. This includes expenses such as bus purchases and operating costs, maintenance facilities, park-and-ride lot construction, light rail construction and other transit projects. The Program started on July 1, 2005, which is the beginning of fiscal year 2006.

The Transit Life Cycle Program will receive major funding from the Proposition 400 half-cent sales tax extension, as well as federal transit funds and local sources. The half-cent sales tax extension starts on January 1, 2006 and revenues from the tax will be available beginning in March 2006. The RPTA maintains responsibility for administering half-cent revenues deposited in the Public Transportation Fund (ARS 48-5103) for use on transit projects, including light rail transit (LRT) projects as identified in the MAG RTP. The RPTA Board must separately account for monies allocated to light rail transit, capital costs, and operation and maintenance costs for other transit.

Although the RPTA maintains responsibility for the distribution of half-cent funds for light rail projects, Valley Metro Rail, Inc., a public nonprofit corporation, was created to form an alliance among the cities of Phoenix, Tempe, Mesa and Glendale to implement the LRT system. Valley Metro Rail Inc. is responsible for overseeing the design, construction and operation of the light rail starter segment, as well as future corridor extensions to the system. It should be noted that the RTPA also often uses the term "*Valley Metro*" for their agency, having adopted the name in 1993 as the identity for the regional transit system.

STATUS OF BUS PROJECTS

The Transit Life Cycle Program includes funding for operations, vehicle fleet and new capital facility improvements to the regional bus network. This includes Bus Rapid Transit (BRT)/Express, the Regional Grid, and other bus service. Figures E-5 and E-6 depict bus projects in the Transit Life Cycle Program and indicate the first phase for which they are programmed for service. Service will continue throughout the life cycle period once it has been initiated.










Bus Operations: Bus Rapid Transit (BRT)/Express - Regional BRT/Express transit services are comprised of Arterial BRT and Freeway BRT routes. Arterial BRT routes are intended to operate as overlays on corridors served by local fixed route service, but provide higher speed services by operating with limited stops and with other enhancements, such as bus only lanes, queue-jumpers or signal priority systems. In addition to Arterial BRT routes, the Transit Life Cycle Program also includes Freeway



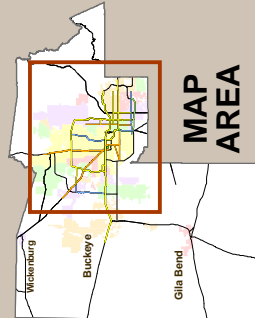
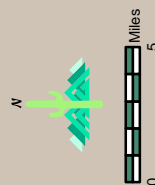
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Bus Rapid Transit (BRT)

- | | |
|---|-------------------------------------|
|  | Phase 1 (FY 2005 - FY2010) |
|  | Phase 2 (FY 2011 - FY2015) |
|  | Phase 3 (FY 2016 - FY2020) |
|  | Phase 4 (FY 2021 - FY2026) |
|  | Planned or Existing Park-and-Rides |
|  | Planned or Existing Transit Centers |
|  | County Boundary |
|  | Freeways/Highways |
|  | Other Roads |

Phasing colors indicate the first phase in which service improvements occur. Additional improvements may occur in later phases.



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Figure E - 6



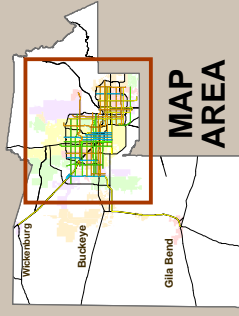
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Super Grid
Bus System

- Phase 1 (FY 2005 - FY 2010)
- Phase 2 (FY 2011 - FY 2015)
- Phase 3 (FY 2016 - FY 2020)
- Phase 4 (FY 2021 - FY 2026)

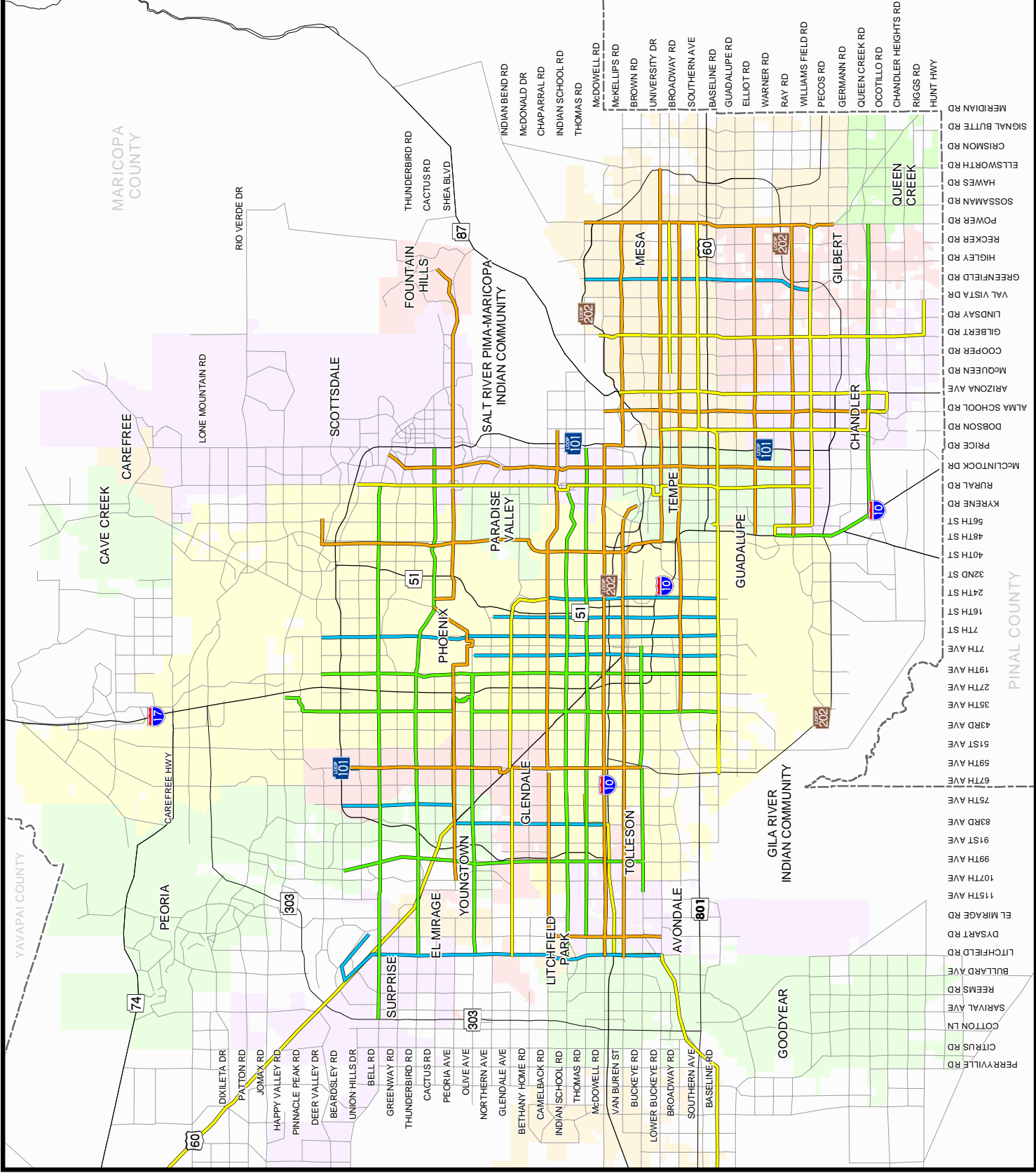
- County Boundary
- Freeways/Highways
- Other Roads

Phasing colors indicate the first phase in which service improvements occur. Additional improvements may occur in later phases.



MAP
AREA

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BRT routes, which use existing and proposed high occupancy vehicle (HOV) facilities to connect park-and-ride lots with major activity centers, including core downtown areas. Freeway routes provide suburb-to-suburb connections using the regional freeway system and intermediate stops.

The Regional BRT/Express transit services as identified within the Transit Life Cycle Program account for a total of \$152 million (2005 \$'s) in regional funding for operating costs for the period FY 2006 through FY 2026. There are a total of 31 BRT/Express routes identified for funding during the life cycle period from FY 2006 through 2026. During the next five years, FY 2006 through FY 2010, 11 routes are planned for implementation. These routes would operate in the peak direction at 30-minute intervals during the three-hour morning and afternoon commute periods.

Bus Operations: Regional Grid - Regional Grid bus routes, which are also commonly referred to as "Supergrid Routes," include bus routes that are situated along major roads on the regional arterial grid network. Regional funding of bus operations along the arterial grid network ensures a degree of consistency in service levels across jurisdictions, which may not otherwise be possible due to current funding limitations at the local level.

A total of \$1.0 billion (2005 \$'s) in funding has been allocated for bus operations on the regional grid for the period FY 2006 through FY 2026. There are a total of 32 Regional Grid routes identified for funding during the life cycle period from FY 2006 through 2026. During the next five years, FY 2006 through FY 2010, seven routes are planned for implementation. In most cases these routes would operate in the peak direction at 15-minute intervals during the three-hour morning and afternoon commute periods, and at 30-minute intervals during the rest of the service day. In addition, 30-minute service on Saturday and Sunday would be provided.

Bus Operations: Other - In addition to the BRT/Express and Regional Grid services, a total of \$307 million (2005 \$'s) in regional funding for operating costs for the period FY 2006 through FY 2026 has been allocated to other bus services. These services include rural/flexible routes, commuter vanpools and paratransit services.

Bus Capital: Facilities - Associated with the expansion of transit service will be the need for additional maintenance and passenger facilities. This infrastructure calls for the completion of 13 park-and-ride lots; 6 transit centers (4 bus-bay); 4 transit centers (6 bus-bay); 3 transit centers (for major activity centers); 5 bus maintenance facilities; two dial-a-ride/rural bus maintenance facilities; a vanpool maintenance facility; the purchase of BRT Right-of-way and associated improvements and maintenance; 1,200 bus stop pullouts/improvements at various locations, and the implementation of ITS/VMS in 2,154 vehicles.

A total of \$462 million (2005 \$'s) has been allocated during the life cycle period covering FY 2006 through 2026 to fund numerous capital projects affiliated with regional bus operations. There is also an additional \$23 million (2005 \$'s) contingency. As of 2005, pre-design, design, and planning is underway on a number of park-and-ride facilities.

Other maintenance and passenger facilities will be implemented over the next several years. It is anticipated that a total of \$111 million (2005 \$'s) in regional funding will be expended during the next five years (FY 2006 through FY 2010) on bus capital facilities. The park and ride projects under development during this period will include the Peoria/Grand Park and Ride, the Glendale Park and Ride, and the Scottsdale/Loop 101 Park and Ride. Other capital projects that will be under development during this period include three transit centers, two operations and maintenance facilities, and improvements to approximately 270 bus stops.

Bus Capital: Fleet – The Transit Life Cycle Program calls for purchase of 2,138 buses for fixed route networks; 36 buses for rural routes; 1,000 Dial-a-Ride (DAR) vans for paratransit purposes; and 1,404 vanpool vans. A total of \$984 million (2005 \$'s) has been allocated in the Transit Life Cycle Program during FY 2006 through FY 2026 for the purchase vehicles. There is also an additional \$49 million (2005 \$'s) contingency.

It is anticipated that a total of \$165 million (2005 \$'s) in regional funding will be expended during the period FY 2006 through FY 2010 on vehicle purchases. These purchases will include fixed route buses, express/BRT buses, rural transit buses, paratransit vehicles, and commuter vans. These reflect both replacement and expansion vehicles.

STATUS OF LIGHT RAIL TRANSIT PROJECTS

The Transit Life Cycle Program includes an extensive Light Rail Transit (LRT) component for the MAG Region. This covers support infrastructure for the LRT system, as well as future extensions of light rail corridors that are planned throughout the region. The construction of the 20-mile Minimum Operating Segment that was developed through the Central Phoenix/East Valley Major Investment Study (MIS) is not a part of the Transit Life Cycle Program, except for some funding for support infrastructure. Figure E-7 provides information on the planned phasing of light rail throughout the metropolitan area. A total of \$2.8 billion (2005 \$'s) is allocated to LRT projects in the Transit Life Cycle Program. Of this amount, approximately \$2.4 billion will be utilized for route construction, whereas the remaining \$391 million is allocated for support infrastructure affiliated with the LRT system. None of the regional funding for LRT is allocated to operating costs.

Minimum Operating Segment - Although the construction of the Minimum Operating Segment (MOS) is not a part of the Transit Life Cycle Program, background information on this project is provided here to provide an overview of the entire LRT system planned for the region. The approved alignment for the Light Rail Transit (LRT) MOS starter segment extends from Bethany Home Road and 19th Avenue (formerly Chris-Town Mall, and recently renamed the Spectrum Mall) into downtown Phoenix; from downtown Phoenix to downtown Tempe and Arizona State University; and continuing to the intersection of Main Street and Sycamore in Mesa.

Work is currently underway on the construction of the MOS. Construction is scheduled to be completed by December 2008 and service will be initiated through a single

Figure E - 7

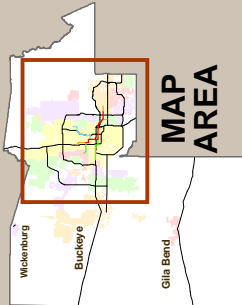


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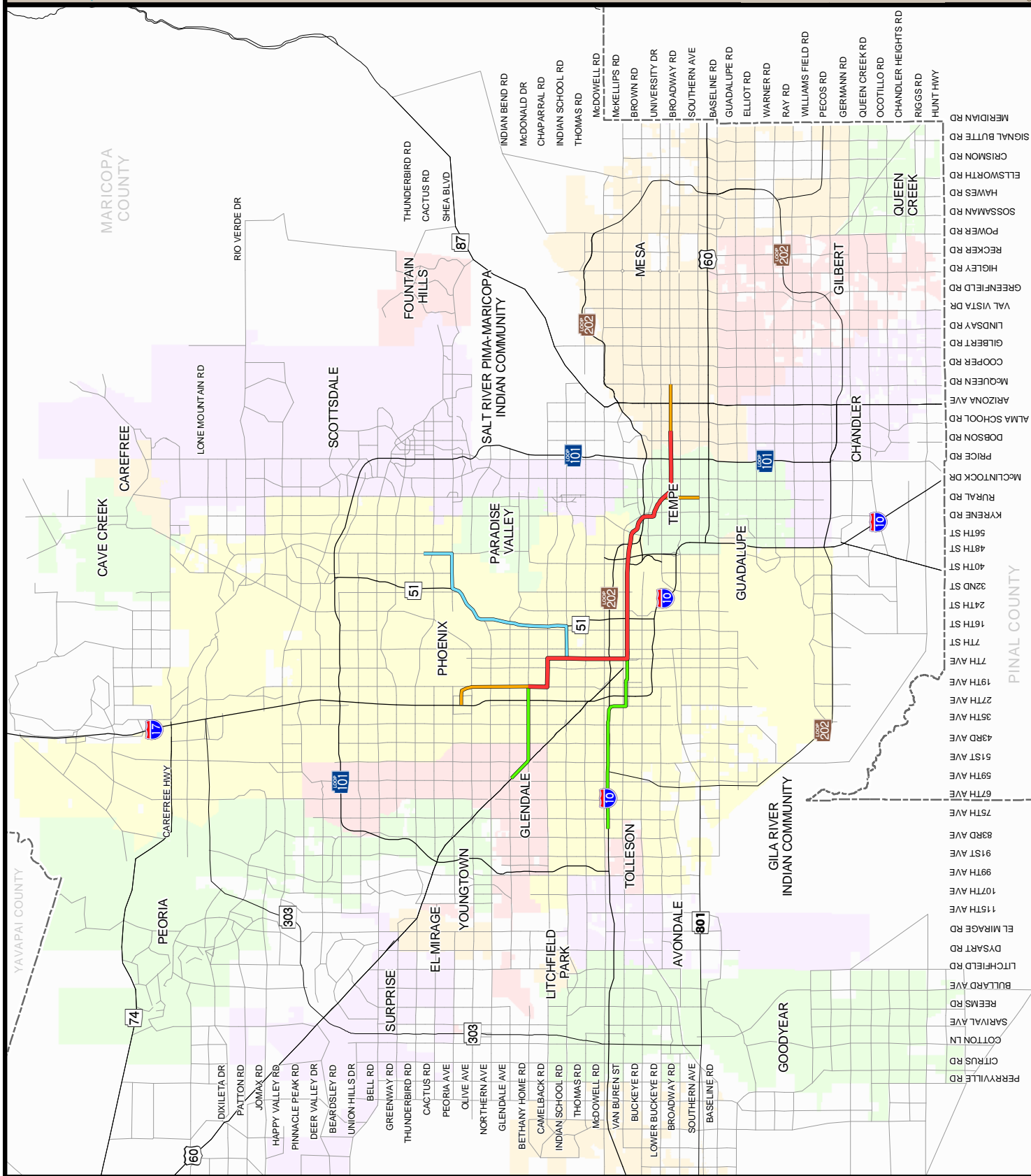
Light Rail Transit (LRT)/
High Capacity Transit

- Phase 1 (FY 2005 - FY 2010)
- Phase 2 (FY 2011 - FY 2015)
- Phase 3 (FY 2016 - FY 2020)
- Phase 4 (FY 2021 - FY 2026)
- Phoenix Minimum Operating Segment
- County Boundary
- Freeways/Highways
- Other Roads

Alignments for new freeway, highway, arterial, and light rail/high capacity transit facilities will be determined following the completion of appropriate design and environmental studies.



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opening of the entire system at that time. Half-cent sales tax money from Proposition 400 will not be utilized to pay for major route construction of the MOS, but is rather allocated toward certain elements of the support infrastructure.

Light Rail Transit: Support Infrastructure - A total of \$391 (2005 \$'s) is allocated in the Transit Life Cycle Program toward the completion of support infrastructure affiliated with the LRT system. Of this amount, \$164 million (2005 \$'s) is allocated toward infrastructure along the LRT MOS (to be expended by 2010); \$30 million (2005 \$'s) is allocated toward infrastructure needs on the Metrocenter Link, from 19th Avenue/Bethany Home to Metrocenter Mall (to be expended by 2010); \$30.0 million (2005 \$'s) is allocated toward infrastructure needs on the Glendale Link from 19th Avenue/Bethany Home to Downtown Glendale (to be expended by 2020); and \$167 million (2005 \$'s) is allocated to other LRT improvements throughout the system (to be expended by 2026).

Light Rail Transit: Route Extensions - The Transit Life Cycle Program includes regional funding for the completion of six additional LRT segments on the system. These include a five-mile extension to Metrocenter; a five-mile extension to downtown Glendale; an 11-mile extension along I-10 west to 79th Avenue; a 12-mile extension to Paradise Valley Mall; a two-mile extension south of the MOS on Rural Road to Southern Avenue; and a 2.7-mile extension from the east terminus of the MOS to Mesa Drive. In total, the extensions account for a total of 37.7 miles of the 57.7-mile system. The total estimated cost for development of the route extensions is \$2.4 billion (2005 \$'s).

It should be noted that local sources will provide a significant share of the funding for the extension to downtown Glendale and the extension to Metrocenter. For these segments, regional funding in the form of Federal 5309 funds will provide approximately half of the funding, with local sources providing the remaining half. Other than the funding for support infrastructure identified previously, it is not anticipated that half-cent funds will be applied to these segments.

On going work on the LRT route extensions includes a Design Criteria and Standards Study, an LRT System and Configuration Study, and design and environmental work on the Metrocenter Extension. The Metrocenter Corridor Study is currently in the draft environmental impact phase (DEIS). Preliminary engineering and the final environmental impact (FEIS) phase will likely occur in 2006-2007, with final design of the project following in 2007-2008, and right-of-way acquisition occurring in 2008-2010. Construction of the extension is currently projected to begin in 2010.

TRANSIT FUNDING AND FISCAL STATUS

Table E-8 summarizes the funding sources and uses that apply to the Transit Life Cycle Program from FY 2006 through FY 2026. Sources of funds that will be utilized for the life cycle program include the Proposition 400 half-cent sales tax extension (\$4.8 billion); Federal 5307 Transit Funds (\$1.5 billion); Federal 5309 Transit Funds (\$1.6 billion); Federal Highway MAG Congestion Mitigation and Air Quality (CMAQ) funds (\$459 million); bond proceeds (\$305 million); other income (\$330 million) from local

funding sources; and bus farebox revenues (\$526 million). In addition, Table E-8 lists expenses of \$376 million for estimated future debt service and repayment of other financing (\$71 million interest and \$305 million return of principal). Allowance for future inflation in the amount of \$3.2 billion is also deducted from the funding. This yields a net total of \$5.9 billion (2005 \$'s) for use on public transit projects through FY 2026.

TABLE E-8
TRANSIT LIFE CYCLE PROGRAM
SOURCES AND USES OF FUNDS : FY 2006 - FY 2026
(2005 and Year of Expenditure Dollars in Millions)

Sources of Funds	
Source	Projected Available Funding FY 2006-2026 (YOE Dollars)
Proposition 400: One-Half Cent Sales Tax Extension	4,766.6
Federal Transit / 5307 Funds	1,552.9
Federal Transit / 5309 Funds	1,586.6
Federal Highway/MAG CMAQ	459.3
Bonding	305.0
Other Income	330.0
Bus Farebox Revenues	526.3
Less Debt Service	(376.4)
Less Inflation Allowance	(3,199.7)
Total (2005 \$'s)	5,950.5
Uses of Funds	
Category	Estimated Future Costs: FY 2006-2026 (2005 Dollars)
Bus Operations: BRT/Express	152.1
Bus Operations: Regional Grid	1,001.3
Bus Operations: Other	306.6
Bus Capital Projects: Facilities	461.7
Bus Capital Projects: Fleet	984.2
Bus Capital Projects: Contingency	72.3
Light Rail Transit: Support Infrastructure	390.5
Light Rail Transit Capital: Route Extensions	2,434.5
Total	5,803.2

Table E-8 also includes a list of estimated future funding uses (in 2005 \$'s) that have been identified in the Transit Life Cycle Program from FY 2006 through FY 2026. The transit categories include bus operations for Bus Rapid Transit (BRT)/Express (\$152 million); Regional Grid (\$1.0 billion); other bus services (\$307 million); bus capital expenditures for facilities (\$462 million); fleet purchases (\$984 million); a set aside for capital contingency (\$72 million); LRT support infrastructure (\$391 million); and LRT route extensions (\$2.4 billion).

It is important to note that, as a part of the expenditures for light rail, A.R.S. 48-5107 requires that all costs for relocation of utility facilities incurred after July 1, 2003 as a direct result of the construction and operation of a light rail project be reimbursed to the utility by the light rail project.

As shown in Table E-8, Life Cycle Program costs are in balance with the projected future funds available, with available funds exceeding costs by about two percent. As the engineering and planning process proceeds, project costs will be subject to revision, and adjustments in the Life Cycle Program may be required to ensure that project costs do not exceed expected revenues.

It should also be noted that Transit Life Cycle Program expenditures will be a key element of future Annual Reports. However, since the program is in its very initial stages as of this report, there is no significant expenditure data to report.

TRANSIT PROGRAM OUTLOOK

The Transit Life Cycle Program, which covers FY 2006 through FY 2026, started on July 1, 2005. The primary goal of this life cycle program is to ensure the development and implementation of all transit projects, as identified in the MAG RTP, by the end of FY 2026. The initial FY 2006 to 2026 Transit Life Cycle Program costs are in balance with the projected future funds available. A continuing requirement of the life cycle process will be to maintain this balance, through effective financing and cash flow management, value engineering of projects, and Plan and Program adjustments as may be necessary.

Another consideration is that a large part of the funding for the LRT system is awarded by the US Department of Transportation through the discretionary “New Starts Program”. The timing and amounts of light rail transit new start monies coming to the MAG region will be subject to a highly competitive process at the federal level. The prospects for awards from this program will require careful monitoring.